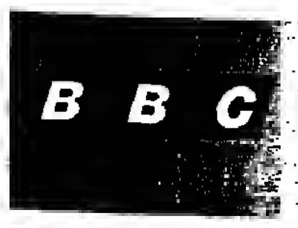
FINANCIAL TIME



The BBC *Towards a new commercial strategy* Page 13

Infotech *Microsoft's legal tangles* Page 5

Sterling *Storm in a teacup?* Page 15

Paci... *Japa... hones...* Page 6

World Business Newspaper

THURSDAY FEBRUARY 16 1995

N Korea threatens to scrap nuclear agreement with US

North Korea threatened to scrap its nuclear agreement with the US if Washington insists that Pyongyang must accept South Korean light-water reactors. The US and North Korea must sign a contract on the supply of reactors to Pyongyang by April 21 under the terms of last October's accord. Page 6

Taiwanese club fire kills 64: At least 64 people died when fire swept through a karaoke parlour and restaurant complex in the central Taiwan city of Taichung, trapping people in a narrow building which turned into a column of flame. State television said only 12 people managed to escape from the building.

Microsoft decision disappoints lawyers:

Microsoft and US Justice Department lawyers expressed disappointment at a federal judge's rejection of their proposed antitrust settlement. The world's largest software company, Microsoft is reknowned for its tough tactics. However co-founder and chairman, Bill Gates (above), has denied that the company has ever broken any laws. Page 14

German group to rival Deutsche Telekom: RWE, Germany's biggest electricity distributor, is to link up with six smaller utilities to create a telecommunications network to compete with Deutsche Telekom, the state-owned operator. Page 15

Gap closes in French presidential race: Lionel Jospin, the Socialist contender in France's presidential election contest, is closing the gap on Edouard Balladur, the Gaullist prima minister, according to opinion polls. Page 2

French electricity profits drop: Electricité de France, the world's largest generator of electricity, reported a drop in net profit to FFr1.3bn ($248m) last year from FFr2.1bn in 1993. Page 15

Bankers' board roles questioned: German bankers should stop taking on chairmanships of company supervisory boards, a director of the country's biggest bank said, deepening the controversy aboot their effectiveness. Page 14

Sexes talk a different language: Men and women really do speak different languages, according to scientists at Yale University. A study of the brains of talking men and women found that men used one section on ona side of the brain, while women used several areas on both sides.

Banesto suffers $95m loss: Banco Español de Crédito (Banesto), the troubled Spanish bank rescued by the domestic financial sector last year and acquired by Banco de Santander, suffered net losses of Pta12.5bn ($95.4m) in 1994. Page 21

Philippines protest over islands: The Philippines will step up its air and sea watch on the contested Spratly Islands in the South China Sea, and lodge a strong protest with Beijing. Page 6

Republicans push through crime bill: Republicans again won Democratic support when they pushed the most controversial element of their package of crime legislation through the House of Representatives. Page 5

CS First Boston quits Tokyo equities: The prolonged slump in the Japanese stock market claimed another victim when CS First Boston, the US-based investment bank, announced that it was withdrawing from marketing of equities in Tokyo. Page 20

Reprieve for German engineering industry: Germany's IG Metall union offered employers a further extension of the deadline to next Monday before strikes are due to engulf the engineering and metal-working industry. Page 3

Israel Chemicals sale approved: Israel approved the controversial sale of a controlling stake in Israel Chemicals, the country's biggest chemicals and fertiliser company, for $230.3m. It is the government's biggest divestiture to date. Page 8

Trizec plans $400m sell-off: Trizec, the Canadian property developer which emerged from a financial restructuring last year, plans to sell assets worth US$400m. Page 18

New dawn of Peking Man: A high-tech reappraisal of the cave home of China's prehistoric Peking Man has found him to be about 100,000 years younger than previously thought, the Chinese University of Science and Technology reported.

■ **STOCK MARKET INDICES**

New York lunchtime		
Dow Jones Ind Av	3,969.5	(+30.28)
NASDAQ Composite	794.47	(+3.85)
Europe and Far East		
CAC40	1,861.9	(+5.81)
DAX	2,135.04	(+1.80)
FT-SE 100	3,074.9	(+3.6)
Nikkei	17,991.0	(-147.47)

■ **US LUNCHTIME RATES**

Federal Funds	6¼%
3-mth Treas Bills: Yld	5.905%
Long Bond	100⅝
Yield	7.554%

■ **OTHER RATES**

UK: 3-mo Interbank	6⅞%	(6⅞%)
UK: 10 yr Gilt	99¼	(98½)
France: 10 yr OAT	95.81	(96.46)
Germany: 10 yr Bund	100.0	(99.46)
Japan: 10 yr JGB	96.921	(96.829)

■ **NORTH SEA OIL (Argus)**

Brent 15-day (Apr)	$16.785	(16.775)

■ **GOLD**

New York: Comex		
Apr	$378.6	(378.2)
London:		
close	$376.4	(375.9)

■ **DOLLAR**

New York: lunchtime		
£	1.56175	
DM	1.5085	
FFr	5.23425	
SFr	1.2765	
Y	98.355	
London:		
£	1.5635	(1.5567)
DM	1.5084	(1.5137)
FFr	5.2344	(5.2473)
SFr	1.2744	(1.279)
Y	98.405	(98.68)

■ **STERLING**

DM	2.3584	(2.3583)
Tokyo close:		Y 98.57

Austria	Sch35	Greece	Dr400	Malta	Lm0.60	Qatar	QR13.00
Bahrain	Din1.250	Hong Kong	HK$18	Morocco	MDh15	S.Arabia	SR11
Belgium	BFr70	Hungary	Ft185	Neth	Fl 4.25	Singapore	S$4.30
Bulgaria	Lw100.00	Iceland	IKr220	Nigeria	Naira90	Slovak Rp	KSL60
Cyprus	C£1.10	India	Rs75	Norway	NKr18.00	S. Africa	R12.00
Czech Rp	CZK55	Israel	Shk7.90	Oman	OR1.50	Spain	Pta225
Denmark	DKr17	Italy	L3000	Pakistan	Rs40	Sweden	SKr17
Egypt	E£5.00	Japan	Y600	Philippines	Pso50	Switz	SFr3.60
Estonia	EKr 20	Jordan	JD1.50	Poland	Zl 42,000	Syria	S£50.00
Finland	FM15	Kuwait	Fils.625	Portugal (mainland)		Tunisia	Din1.500
France	FFr10.50	Lebanon	US$1.50		Es230	Turkey	L40,000
Germany	DM3.80	Lux	LFr70			UAE	Dh12.00

Chinese develop taste for brand names, says survey

Japanese companies take lead in race to woo new consumer markets

By Richard Tomkins in New York

Deng Xiaoping told fellow Chinese that it doesn't matter whether a cat is black or white as long as it catches mice. But, for Chinese consumers, the shampoo should be Head & Shoulders, the television a Hitachi, and the family car a Toyota.

The first foreign-sponsored nationwide survey of Chinese households, conducted by Gallup China, found that Playboy and Boeing are better known brand names than the British Broadcasting Corporation or American Express.

Gallup China is majority owned by The Gallup Organisation of Princeton, New Jersey, and claims to have been the first research company permitted by the Chinese government to carry out such a survey of consumer attitudes.

Asked to describe their personal philosophy, most respondants expressed a distinctly materialistic outlook, as 68 per cent said their philosophy was "to work hard and get rich".

By contrast, only 4 per cent agreed with the worthy statement: "Never think of yourself, give everything in service to society."

The bicycle is still the most common consumer durabla (owned by 81 per cent of households) in China, while 54 per cent of homes have black-and-white televisions and 40 per cent have already bought a colour set. At the other end of the scale, only 9 per cent of households have a telephone and 3 per cent a car.

The survey highlighted the divide between urban and rural consumers. Nationally, 56 per cent of households said they preferred to buy Chinese-made products while only 19 per cent said they preferred foreign-made products, but the balance shifted marginally in favour of foreign products among upper-income households in urban areas.

Six of the 10 most highly recognised brands were Japanese, with Hitachi topping tha list. Although several US names were among the 20 most recognised brands, with Coca-Cola at number two, only one European company made its way into tha top 20: Nestlé, the Swiss food group, at number 16.

Mr Alec Gallup, co-chairman of The Gallup Organisation, said in New York yesterday that Gallup China staff interviewed 3,400 households in every province of China, except Tibet.

Each interview consisted of more than 400 questions, tha answers to which provided census-type information about income and occupation, and lifestyle.

The most popular leisure activity proved to be watching sports

Continued on Page 14

EU president attempts to soothe British fears on immigration

Santer still looking to end border controls

Reuter

Commission president Jacques Santer addresses the European parliament in Strasbourg yesterday

By Emma Tucker in Strasbourg

Mr Jacques Santer, the new president of tha European Commission, yesterday set out his legislative programme for the year, and promised to reduce the influence of Brussels in domestic politics.

He also attempted to soothe the fears of British Eurosceptics that a move to dismantle internal border controls would lead to a flood of third-country immigrants. Citizens would not see the benefits of a frontier-free area unless the European Union could guarantee their security and combat drug trafficking and organised crime, said Mr Santer.

In a low-key speech to the European Parliament he stressed the need for "less action but better action", and highlighted completion of the single market, encouragement of the information superhighway, and an improvement in industrial competitiveness as priorities.

Mr Santer presented a much lighter workload than was typical of Mr Jacqoes Delors, his predecessor, and emphasised the need for widespread consultation, a transparent decision-making process and a more accessible commission.

Mr Santer said: "Tha commission is more determined to focus on the essential. It will become more and more effective in applying the principles of subsidiarity and proportionality."

In "matters of immigration and asylum, drug addiction and judicial co-operation in civil matters" where many citizens are likely to be affected in their daily lives, the commission would seek to "meet their expectations and allay their concerns. said Mr Santer.

The programme contained a commitment to tackle the "practical application of the principle of the elimination of border controls" this year.

Mr Santer was particularly keen to hasten completion of the single market: "The consolidation, completion and enhanced visibility of the single market in which goods, persons, services and capital move freely and effectively must be the cornerstone of the commission's activity."

He also suggested separately that each EU member state should be able to nominate only one European commissioner regardless of its size.

At present, the EU's larger members each have two commissioners. Although, in private, commission officials point to 1999 as a more likely date for the start of full monetary union, it officially sticks to the dates set out in the Maastricht treaty, which envisages 1997 as the starting date.

"Every effort will be made to prepare for the transition to the third stage (of monetary union) on January 1, 1997," says the programme, adding that public consultation would be launched this year on the conditions for the transition to a single currency.

Details, Page 2

Mr John Major, the UK prime minister, will today attempt to shore up confidence in the unity of his government by telling the cabinet that there should no further public debate on whether sterling should participate in a single European currency. According to senior government advisers, he will insist cabinet ministers stick to the government's "very clear policy" on monetary union. Mr Major will also stress the principal of collective cabinet responsibility following concern from backbench Tories and Mr Eddie George, governor of the Bank of England. Report, Page 9

Mexican peso sinks amid fears over scale of crisis

By Leslie Crawford in Mexico City and Stephen Fidler in London

Tha Mexican peso sank again yesterday amid fresh concerns that a $50bn international rescue package announced last month would not be enough to resolve the country's financial crisis.

The peso fell towards six to the dollar, its lowest level since January 31 when US President Bill Clinton announced the rescue package. The currency had rallied following the announcement, rising from a record low of 6.35 to the dollar. However, since then it has continued to slide.

Confidence has been hit mainly by fears about the financial health of debt-laden Mexican companies, delays in the completion of the rescue package and worries about the strength of President Ernesto Zedillo's government. With the government relying on the rescue package to solve its liquidity problems and the state offering support to any banks which hit trouble, there is much concern about corporate borrowers outside the safety net.

Grupo Sidek, a holding company whose assets include Situr, a property and tourism company, said yesterday it would miss a payment on some $19.5m of commercial paper it has outstanding.

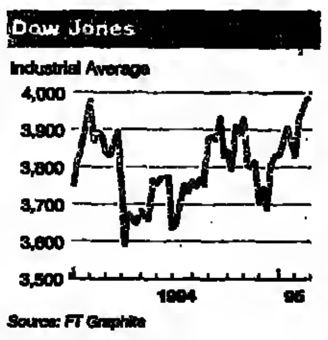
There was particular concern among foreign lenders about the

Continued on Page 14
Bitter legacy, Page 4

Chances of interest rate rise recede as output growth declines

US stock market surges on signs of economic slowdown

By Michael Prowse in Washington and Lisa Bransten in New York



Source: FT Graphite

The US stock market surged yesterday, taking the Dow Jones Industrial Average close to the 4,000 level following the publication of economic data which investors judged reduced the chances of furthar early increases in interest rates.

The markets responded to comments from the Federal Reserve that the growth of industrial production "slowed noticeably" last month. But economists warned that separate figures on consumer prices showed tentative signs of emerging inflationary pressures.

On Wall Street, the Dow in intra-day trading surged through its previous closing high of 3,978 set on January 31 and rose more than 36 points to 3,995 by 2.30pm. At its highest point the average was just two points short of 4,000.

The Standard and Poor's 500 also passed the 482.55 record set on Tuesday. Before that the S&P 500 record had stood for more than a year at 482.00.

In early afternoon trading the long bond was up more than half a point to yield 7.55 per cent, its lowest level since August of last year.

Figures published by the Fed showed a 0.4 per cent increase in industrial output in January following gains of 0.8 per cent and 0.9 per cent in November and December. Fed statisticians said the slowdown appeared to be "widespread in manufacturing".

Separate figures on consumer prices, however, showed tentative signs of emerging inflationary pressures. The "core" consumer price index, which excludes food and energy, rose 0.4 per cent last month, more than expected in financial markets. It was the biggest monthly increase since October 1992.

There was no direct evidence yesterday that senior Fed policy-makers believe weaker data for January signals more than a temporary adjustment after unsustainably rapid growth at the end of last year. Yesterday's comment about a widespread slowdown came in a routine statistical release, not an official policy statement.

Mr Alan Greenspan, the Fed chairman, will set out his views next week when be delivers half-yearly monetary testimony to Congress.

Private-sector economists said the January numbers had to be set against longer-term trends. Industrial production has been growing at an underlying rate of about 0.6 per cent a month: a dip below this rate was likely following larger increases in preceding months. Production was up 6.2 per cent in the year to January.

The sharp 0.4 per cent gain in the core consumer price index probably also overstated the underlying trend as it followed an erratically low increase of 0.1 per cent in December. Core consumer prices were up 2.9 per cent in the year to January.

"Economic growth is slowing but only to an annual rate of about 3 per cent, which is still above the Fed's speed-limit," said Mr Alan Levenson, an economist at UBS Securities in New York. He predicted February output data would show a rebound.

World stocks, Back Page
Section Two

CONTENTS

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: Socialist contender in presidential race

, say Jospin closing the gap

Socialist … presiden- … is closing … r Edouard Balla- … Gaullist prime minis- … according to opinion polls. One poll puts him only a single percentage point behind.

He has also received a boost from the formation of a weighty snpport committee headed by Mr Jacques Delors, former president of the European Commission and erstwhile favourite to succeed President François Mitterrand. Mrs Martine Aubry, daughter of Mr Delors and one of the leading younger generation Socialists, is set to be Mr Jospin's spokeswoman.

The upturn in Mr Jospin's fortunes since his election as candidate earlier this month prompted an anxious response in the currency market. The franc fell below FFr3.47 to the D-Mark, compared with FFr3.464 at the close of trading on Tuesday. Traders said that three opinion polls showing gains by Mr Jospin were one of the principal reasons.

A poll by Ifop, due to be published today, shows Mr Jospin receiving 23 per cent of support, just one percentage point behind Mr Balladur. Mr Jospin could even edge ahead of the prime minister in first round voting intentions should Mr Raymond Barre, the former centrist prime minister, decide to run, according to Ifop.

The other two polls, by BVA and Sofres, also showed a significant drop in Mr Balladur's approval rating.

The prime minister, who outlined detailed campaign proposals earliar this week, retains a comfortable margin in the decisive second round run-off. All three polls gave him a lead of between 8 and 16 per cent in the May 7 showdown with either Mr Jospin or Mr Jacques Chirac, the Gaullist mayor of Paris.

But, the narrowing of Mr Balladur's lead and improved prospects for the Socialists, generally dismissed as serious contenders after Mr Delors' decision not to run, prompted recriminations among conservative politicians.

Mr Philippe Douste-Blazy, the government spokesman, warned the right against repeating internal disputes thet opened the way to the election of Mr Mitterrand in 1981 and 1988.


Jospin: moved markets

Mr Nicolas Sarkozy, the budget minister and a key Balladur ally, said that the right had to concentrate its attacks on the left rather than on each other. Mr Chirac's supporters have concentrated their fire on Mr Balladur rather than Mr Jospin, accusing the prime minister of being out of touch with voters and indecisive.

The fall in Mr Balladur's poll ratings partly reflects a dispute between his government and French students. A decree tightening admissions to universities prompted a wave of demonstrations by students and forced the government to hack down. The decree was cancelled on Monday, but student leaders said they still planned to march on Mr Balladur's office today.

EBRD at centre of N-power row

Jane Martinson on a decision likely to shape the future of energy in eastern Europe

The future of nuclear power in former communist Europe is being shaped by a fiercely contested decision hy the European Bank for Reconstruction and Development to support crucial financing for the completion of a Soviet-designed Slovak power station that opponents say is dangerous and uneconomic.

The row over the financing has provoked divisions among staff at the EBRD's London headquarters and led Austria to threaten to withdraw its membership of the bank if the Slovak financing goes ahead. Alarm has also surfaced in the German Bundestag and the European Parliament is due to hold an emergency debate on the funding today.

Studies commissioned by the bank conclude that completion of the nearly 90 per cent built VVER 440-213 model pressurised water reactor complex at Mochovce represents the least-cost solution to Slovakia's energy needs. Safety would be assured by the installation of western safety equipment and technical assistance from Electricité de France which will co-manage the plant.

The EBRD also argues that completing Mochovce would provide an additional safety bonus because the energy generated would make it possible for Slovakia to close down a dangerously obsolescent older model reactor at Bohunice.

Opponents of Mochovce argue that it is impossible to guarantee safety in a reactor 90 per cent huilt under the old, safety-lax regime and suffering from fundamental design flaws. They also contest the exchange rate, capital costs and other parameters used in the EBRDs cost-effectiveness study and argue that, even at this late stage, it would be cheaper to invest in a new, more efficient and safer combined cycle gas powered station.

Opponents of the loan – who inclnde some worried bank staff, European politicians and the Austrian government, as well as environmental groups – believs snpport from an organisation with the financial muscle of the EBRD would open the way for similar rehabilitation of other mothballed reactors in eastern Europe and particularly in the former Soviet Union.

It will cost soma DM1.3bn (£540m) to complete Mochovce. The EBRD's share of that financing – DM412.5m – would be the biggest loan it has made. And it would maka the bank the first multinational development agency to finance a new nuclear plant.

Mr Stuart Catchpole, company secretary of the World Association of Nuclear Operators, says: "Of course Mochovce would offer encouragement to the others. I think everybody realises that this [the bank's decision] is a key issue."

The Ukraine is looking for funding for four almost complete reactors. It has the backing of the Group of Seven leading industrial countries for the completion of at least one, at Khmelnitskiy, in return for the closure of Chernobyl. The bank has held talks about it in the Ukraine, although it says there are no plans to finance any further complations. There are understood to be at least 14 such reactors in Russia.

Soma criticism stems from the belief that the deal contravenes the bank's ecological commitment. The agreement setting up the bank promises to "promote in the full range of its activities environmentally sound and sustainable development". Staff members in London are believed to be behind documents critical of the project which have found their way to EBRD directors.

Partially built Russian designed reactors

Opponents of nuclear plants in eastern Europa say that they do not represent sustainahla development partly because the region does not use energy as efficiently as the west and nuclear energy encourages waste.

"If these countries have to be economically competitive with European Union countries they are going to have to use fuel at least as efficiently as we do," says Mr Antony Froggart of Greenpeace, the environmental group. Greenpeace and the Oko-Institut, the German ecological body which has worked for the German government, argue the nuclear option fails to take into account the difficulty of forecasting electricity demand in transitional economies. "Slovakia is going to be saddled with a massive debt to provide energy it will no longer need," says Mr Froggart.

Even the author of a cost study commissioned hy the EBRD into the financial benefits of the Mochovce project accepts that the economic argument for the nuclear option is not a clear one. Mr David Nelson, of the British consultants Putnam, Hayes and Bartlett, says the economics of the project alone would not be enough to "sway the arguments over safety, one way or another".

Concerns over safety and the economics of the project have fuelled debate over the causes of the bank's support. The involvement of Electricité de France as joint owner of Mochovce has led to complaints that the bank is supporting the interests of the powerful French nuclear lobby. The charga is vigorously denied by the bank.

The Austrian director of the bank has meanwhile accused Germany of double standards over its support of Mochovce. Three years ago Bonn shut down similar reactors in eastern Germany after an official investigation into two partially huilt reactors concluded that it would cost too much to bring the units up to acceptable safety standards.

But the German government remains a supporter of the bank's involvement in the project. Bayernwerk, the German state utility, is committed to part financing the deal and Siemens is likely to provide safety equipment. The position of the US, one of the larger EBRD shareholders, is seen as critical. Mr James Shoyer, the US director, is personally against nuclear energy, but the official US position on Mochovce is undecided.

So far, though, Mr Alain Pilloux, the senior EBRD official on the projact, remains unfazed by the opposition.

"Whether we like it or not nuclear power in the countries where the EBRD works ... provides a very significant share of power generation. This is a fact of life. Many of the reactors are considered by experts as unsafe. So what should we do? Turn a blind eye and act like an ostrich? No, we should not shy away from promoting a safety project in this sector."

After public consultation on the project ends tomorrow he has until April to persuade the 23 directors he is right.

Greece warned by EU over stand on Turkey

By Lionel Barber in Brussels

The European Union has delivered a blunt warning to Greece that its refusal to lift a veto of the EU-Turkey customs union could sink hopes of Cyprus joining the Union before the end of the century.

The warning follows a highly-charged meeting of EU ambassadors in Brussels on Tuesday which failed to break the deadlock over Greek demands for financial compensation for the EU customs union with Turkey, and left Athens isolated.

Senior officials in Brussels expressed pessimism yesterday that a compromise could be reached before the target date of March 6-7, when an EU-Turkey association council is due to wrap up the customs union.

However, other diplomats suggested that the EU might be prepared to offer a firmer date for launching accession talks with Cyprus – a top Greek priority – if the Athens government drops demands for financial compensation for signing on to the customs union.

Greek demands cover Ecu400m (£315m) compensation for Greece opening its textile markets to Turkish producers. Athens is also insisting that Brussels avoids offering specific sums in financial co-operation with Turkey.

EU diplomats said Ankara was entitled to more than Ecu1bn in aid under protocols agreed 14 years ago but since blocked by Athens. "All countries, big and small, told the Greeks their demands were not acceptable," one said.

Last month, France, which holds tha rotating EU presidency, put forward a delicate package which involved a firm EU pledge to open accession negotiations with Cyprus in return for Greece lifting its long-standing veto against the customs union with Turkey.

The proposal appeared to be the most promising effort to hreak the deadlock over Cyprus which has existed since 1974 when the Turkish army invaded the island in response to a Greek Cypriot coup backed by Athens.

It was also a high-stakes gamble to tackle political and economic instability in Turkey, a Nato member which guards the alliance's south-eastern flank against Iran, Iraq and Russia.

The present impasse suggests that the Athens government must soon decide whether the goal of accession negotiations with Cyprus is more important than the risk of facing down domestic opposition to the Turkey deal.

If the signals over the next few days are favourable, a French-led group of countries might be ready to promise that accession negotiations with Cyprus "can start" six months after the 1996 inter-governmental conference to review the Maastricht treaty.

In addition, the EU would be ready to promise a new political dialogue with Cyprus similar to the format agreed last December for the six former communist countries of central and eastern Europe: Poland, the Czech Republic, Hungary, Slovakia, Romania, and Bulgaria.

Failura to resolva the impasse with Greece could have repercussions for these candidates for EU membership as well as Malta, the economic front-runner for entry into the Union.

Malta is insisting that its application for EU membership should be treated on its merits, and the European Commission is expected next week to comment favourably on its economic reforms and its ability to compete in the single European market. But in most EU members' minds, its bid for membership is on the sama track as Cyprus.

EUROPEAN NEWS DIGEST

Brussels sets up industry board

The European Commission announced yesterday it had set up a group of 13 business, economic and trade union experts to advise the European Union on how to help make its industry more competitive. The Competitiveness Advisory Group, which will be chaired by Mr Carlo Azeglio Ciampi, a former Italian prime minister and Bank of Italy governor, will issue a report every six months suggesting EU policy initiatives, the Commission said in a statement.

The announcement came as Brussels reported that capacity utilisation by manufacturing industry had increased in the EU, strengthening expectations of a 9 per cent rise in the volume of industrial investment this year. Its latest business survey revealed an increase to 82.6 per cent in the EU's seasonally adjusted capacity utilisation last month from 81.5 per cent in October.

The Commission president, Mr Jacques Santer, say he wants the new competitiveness group – appointed as part of the EU's overall effort to create jobs – to prepare its first report for the EU summit in Cannes in June. Some of those appointed include: Mr Floris Maljers, chairman of the Philips Electronics supervisory board; Mr Percy Barnevik, president of Asea Brown Boveri; Mr David Simon, chairman of British Petroleum; Mr Carlos Solchaga, the former Spanish finance minister; and Mr Klaus Zwickel, the leader of Germany's IG Metall union. *Peter Norman, Economics Editor, and Reuter*

Schiphol to get extra runway

The Dutch government is poised to approve a fifth runway for Amsterdam's Schiphol as part of the airport's efforts to establish itself as one of Europe's top five "mainports" in the next century.

The four cabinet ministers most directly responsible have decided in favour of the extra runway – opposed by environmental groups and many local residents – clearing the way for formal agreement by the full cabinet tomorrow. However, approval is expected to be linked to a stipulation limiting Schiphol's future capacity to 40m passengers a year. While the airport handled 23.5m passengers in 1994, the proposed ceiling is well below the 50m-60m upper limit foreseen by some industry analysts. The fifth runway is expected to be completed in 2003, rounding off an ambitious expansion programme at Schiphol. Environmental groups have bought land near the proposed runway and hope to frustrate the programme by refusing to relinquish title to the land and by fighting tha project in the courts. *Ronald van de Krol, Amsterdam*

Noir trial resumes despite plea

The corruption trial of 12 peopla resumed in Lyons yesterday in spite of efforts by lawyers representing Mr Michel Noir, the city's mayor and one of the defendants, to have the case heard in a different court. Mr Noir is on trial alongside Mr Michel Mouillot, the mayor of Cannes, Mr Patrick Poivre d'Arvor, a television presenter, and others in charges mainly relating to receipt of money from Mr Pierre Botton, a businessman who married Mr Noir's daughter. Mr Botton, an important backer of Mr Noir, himself faces charges of embezzling up to FFr33m (£4m) from his network of companies during the 1980s. Lawyers argued on Monday that as Mr Noir was a former government trade minister, the Lyons court's attempt to try him was unconstitutional and that his case could only be heard before a special high court of the republic. Judge Jean-François Perrin responded that he would consider Mr Noir's appeal in his final verdict after the end of the hearing, which is expected to last about three weeks. *Andrew Jack, Paris*

Hungary ends sell-off deadlock

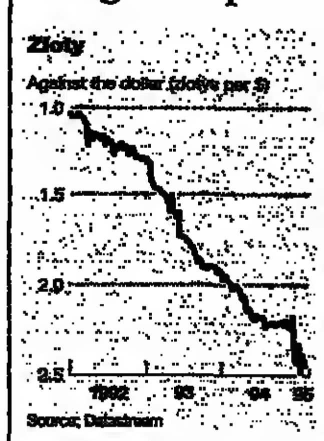
The Free Democrats, the junior partners in Hungary's coalition government, have given in to Socialist demands for a new ministerial post to oversee privatisation but said yesterday the two governing parties have not yet agreed on a candidate. The creation of the post, which comes without its own ministry, was one of the main reasons for the resignation last month of Mr Laszlo Bekesi, the country's reformist finance minister. Mr Bekesi will have been responsible for privatisation for almost a year when he officially steps down next month. The Free Democrats said the two parties had agreed the finance ministry would remain in charge of economic policy and were considering giving the ministry the responsibility of approving all draft legislation related to economic issues. The new privatisation minister would supervise government organisations managing state property and privatisation. *Virginia Marsh, Budapest*

Greek presidency front-runner

Greece's governing Panhellenic Socialist Movement (Pasok) yesterday proposed a centre-right candidate, Mr Costis Stefanopoulos, for next week's vote in parliament to choose a new head of state. The move strengthens Pasok's chances of avoiding a general election by securing the three-fifths majority required to elect a president as a small right-wing party, Political Spring, has already agreed to support Mr Stefanopoulos. A former cabinet minister in conservative governments of the 1970s, Mr Stefanopoulos is also expected to attract votes from dissident deputies in the opposition New Democracy party. He disbanded his own party, Democratic Renewal, after failing to win any seats at last year's European elections. The new president, who has a mostly ceremonial role, will take over next month from Mr Constantine Karamanlis, a veteran conservative politician who is retiring from politics. *Kerin Hope, Athens*

ECONOMIC WATCH

Budget surplus in Poland



Source: Datastream

Poland reported a 457m zlotys ($187m) budget surplus in January, together with a steep rise in foreign currency reserves and heightened inflationary pressures. Prices rose by 3.9 per cent against the previous month and against a government prediction of 2.6 per cent. The official inflation target for the year is 17 per cent compared to last year's 29.5 per cent. The surplus marks a good start for this year's budget which assumes an overall deficit of 8.8bn zlotys or 3.3 per cent of gross domestic product. At tha same time, foreign currency reserves, which are planned to grow by $1.6bn this year, have risen by $595m in the first six weeks. The central bank has responded to the threat of an increase in the money supply by saying it will soon lower the 1.4 per cent monthly devaluation "crawling peg" mechanism. The mechanism is used to maintain the competitiveness of the zloty. The bank has ruled out a cut in interest rates, however, believing inflation is already higher than expected. *Christopher Bobinski, Warsaw.*

■ Long-term capital outflows from France totalled FFr27.72bn ($5.3bn) in November, up from FFr14.29bn in October, according to the economy ministry. It said a near doubling of net portfolio investments abroad by French residents and a decline in direct foreign investment in France were the main causes.

■ Finnish industrial output grew a record 11.2 per cent in 1994 and increased in all main sectors, Statistics Finland said, noting that the high growth rate was partly explained by the low output level in 1993.

■ Hungary's consumer price index rose 4 per cent in January, a 22.1 per cent increase year-on-year, the official statistics office said.

Commission president emphasises the need for wider public consultation

Santer pledges to cut back on new laws

By Emma Tucker in Strasbourg

Mr Jacques Santer, president of the European Commission, yesterday promised restraint in putting forward proposals for fresh EU legislation in the coming year and to respect the responsibilities of nation states.

In a speech to the European parliament, he focused on the need for greater public consultation, strengthening existing laws and reducing Brussels' role as a legislative driving force which it occupied under his predecessor, Mr Jacques Delors in the 1980s.

"Acting less is something we cen do. In fact the number of new proposals has been falling for some time, in the first instance because the 1992 single market programme has largely been completed, at least as far as the legislation is concerned, but also because we are acting more effectively," he said in Strasbourg.

He noted that this year the Commission was putting forward 52 proposals, similar to 1994, but a long way below the peak of 180 in 1990.

In his speech, Mr Santer emphasised the need to stick to the timetable for economic and monetary union, to create the right conditions for development of the information society and to work towards completing the single market.

Mr Santer said one area "above all others" where legislative initiatives were still required was advanced technology and the information society. Plans to push ahead with liberalising telephone services and infrastructures and the establishment of a solid legal framework would occupy much of the Commission's work this year and beyond.

As part of a wider debate on developing the information society, new initiatives were planned to ensure that operators had access to networks, and that there was no discrimination in the awarding of licences to operators.

Other prime targets were the internal market, energy policy and the environment where progress on legislation had often been stalled.

"Many proposals are still pending before the council and parliament," said Mr Santer. "At the latest count there were over a hundred. This is very damaging to Europe's image."

The Commission planned a new offensive on the single market, with stricter monitoring to ensure national legislation did not fall short of the aim of freeing the movement of goods, persons, services and capital within the Union's external frontiers.

He promised action to improve the recognition of professional qualifications, and a follow-up to last year's failed attempt to introduce European-wida media ownership legislation.

The harmonisation of copyright laws would continne, and the Commission expected to introduce new rules on pension funds and to work on a finalised system of VAT.

Mr Santer also ontlined a push to force open energy markets where little progress has been made in recent years largely because traditional energy monopolies have fiercely resisted competition. Before the Commission are directives on common rules for the internal market in electricity and gas as well as plans for cross-border energy network projects.

On the environment commitments are vague but the programme includes plans for a sweeping review of the fifth action programme on the environment with the aim of determining what needs to be dona at Union, national, local and regional levels to integrate environmental initiatives.

This year work should start on the Council of Minister's chosen "priority" cross-border projects – or transeuropean networks – the immediate aim being to ensure adequate finance, and encourage partnership hetween the public and private sectors.

On agriculture, the emphasis of the programme is on improving the balance of markets, increasing the competitiveness of EU farming and "ensuring greater stability of farmers' incomes".

Mr Santer added that the Union needed to develop a genuine employment policy to be achieved by improving industrial competitiveness through research and promoting quality.

He recognised the growing importance of co-operation in foreign affairs saying that the Union needed to develop a common foreign and security policy that was "worthy of that name".

The programme ends with a commitment to step up the fight against fraud mainly by improving co-ordination between "all those involved in the fight against it".

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Non-nationals benefit from EU tax ruling

By Caroline Southey in Brussels

The European Court has ruled that the tax laws of European Union member states must no longer discriminate against non-nationals who live in one member state and commute to work in another.

The court rejected submissions from six member states including the UK, which argued that discriminatory treatment was justified "by the need for consistent application of tax regimes to non-residents". In Brussels, where the ruling was seen as a useful step towards completing the single market, an EU Commission official warned that states would interpret it "as the door being opened to interfere with their income tax regimes and they will question how far it will go".

A senior EU official said the ruling was about "free movement rather than about taxation".

The case centred on Mr Roland Schumacker, who lived in Belgium with his family and commuted to work in Germany. Mrs Schumacker was drawing unemployment benefit, making Mr Schumacker's wage the only household income.

Under German lew Mr Schumacker was denied family tax allowances and was taxed as a single person. He sought redress through the German courts which asked the European Court to rule what bearing Article 48 of the Treaty of Rome had on German tax law.

The case brought together two conflicting principles: the right of EU nationals to work in member states without discrimination, enshrined in Article 48, and the right of member states to write their own tax laws. "The case highlights the tension between national governments which jealously guard their right to dictate income tax laws and EU institutions which claim the right to interpret and implement European law," a Commission official said.

He added that the Commission did not want to "contest the right of member states to write their own tax laws. But something has to be done where there is a conflict between the member states' rules and the principle of freedom of movement".

The European Court found that the treaty must be interpreted "as being capable of limiting the right of a member state to lay down conditions concerning the liability to taxation of a national of another member state. . . "since the Article 48 "does not allow a member state to treat a national of another member state. . . less favourably than one of its own nationals in the same situation".

The senior EU official said the ruling was merely "smoothing out a wrinkle" in the application of Article 48. "The ruling will simply make life simpler for somebody living in one country and working across the border. At least workers in this situation will now know where they stand."

He pointed out that the onus was on the German court to apply the ruling.

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Spain changes procedures for calculating its current account

By David White in Madrid

Spain has changed the way it calculates its balance of payments current account because of a tax wheeze which was seriously inflating the deficit.

The Bank of Spain yesterday announced a 1994 current account shortfall of Pta537bn ($4.1bn). The previous year's deficit was revised down from Pta510bn to Pta309bn under new criteria for counting interest payments. The bank said that its new procedures were in compliance with latest international Monetary Fund guidelines for balance of payments figures.

Bank officials said the old method would have produced a deficit of more than Pta850bn. This compares with many economists' predictions last year that strong exports and record tourism would leave the current account almost in balance.

They did not reckon with "coupon-washing".

Coupon-washing is by no means a unique Spanish custom. But it has flourished to the point of becoming standard practice among banks and investment funds holding Spanish public debt.

Under the operation, a resident – in most cases a financial institution – sells bonds to a non-resident shortly before the annual interest coupon is due. This is a way of escaping a 25 per cent withholding tax, which only residents have to pay.

The non-resident institution then sells the bonds back to the original holder at a lower price. The gain from non-payment of the tax is split between the two.

Understandably, the Spanish tax authorities have been followed this process with some interest.

They have tried to clamp down in instances where the sale is, in their view, demonstrably made with the sole aim of avoiding tax. The criterion applied is if the sale takes place within a month of the coupon falling due.

Action is currently being taken against the Spanish offshoots of Paribas and Société Générale of France and the Portuguese-controlled Banco Luso Español.

But officials admit the practice would be hard to eliminate without undermining the public debt market.

Another wheeze, popular in Spain until recently, involved the buying and selling of Austrian bonds.

This took advantage of a long-standing double-taxation agreement and the absence of a withholding tax. In this case the holder would sell the bonds immediately *after* payment of the coupon. Since the price of the bond, after interest payment, was correspondingly reduced, the holder could register a capital loss on paper, without actually being out of pocket. He could then set that loss off against taxable gains.

But the Spanish finance ministry awoke to the practice and tightened up. Austrian bonds are no longer considered a safe tax dodge. Since the beginning of this year, all such interest earned by residents is considered taxable.

Coupon-washing, however, has caused further complications besides depriving the taxman of revenue.

Until now, the coupon payments mada outside Spain have figured on the current account of the balance of payments, while the corresponding capital gains made by the original holders have gone onto the capital account.

> With an average coupon of 9 per cent, the annual outflow from 'coupon-washing' would be Pta675bn, more than $5bn, or 1 per cent of Spain's gross domestic product

Under the new system, only part of the interest – corresponding to the period the bond was held by the non-resident – is counted, and the same with transactions in the inverse direction.

Finance ministry officials say the volume of these operations is "difficult to quantify".

But Banco Central Hispano, one of the top commercial banks, reckons that outflows from coupon-washing may have multiplied five-fold to more than Pta500bn last year.

Mr Walter Scherk, an analyst at the Madrid securities house Ahorro Corporación, says the figure may well be higher.

He believes that the bulk of Spanish public debt and a lot of private debt goes through the coupon-washing process. Spain's outstanding medium and long-term state debt amounts to some Pta15,000bn.

Assuming that interest on half of this was paid abroad, with an average coupon of 9 per cent, the annual outflow would be Pta675bn, more than $5bn, or 1 per cent of Spain's gross domestic product.

And that, he says, is a conservative estimate.

IG Metall leader extends strike deadline

By Christopher Parkes in Frankfurt

Germany's IG Metall union yesterday offered employers a further extension of the deadline before official strikes are due to engulf the engineering and metal-working industry.

Mr Klaus Zwickel, the union president, demanded they should table a pay offer by next Monday or face an "unavoidable" strike. He made a virtually identical threat 10 days ago, when the deadline was set for Monday this week.

Mr Zwickel made his "final" offer of an extended deadline at a noisy gathering of an estimated 15,000 union members in Frankfurt, where he claimed IG Metall was being forced to take industrial action.

Gesamtmetall, the industry association which has still not made any offer on pay in reply to the union's demand for a 6 per cent award, described the ultimatum as unhelpful.

Holding to its hard line – while the union appeared to be going out of its way to encourage a peaceful settlement – the association said it would reopen negotiations only if the union accepted cost-cutting measures as part of this year's pay and conditions package.

The employers argue that German engineering companies are still suffering the after-effects of recession and simply cannot afford to raise pay unless costs are reduced elsewhere. "We are waiting for the union to take issue with the cost arguments put forward by the companies," said Mr Dieter Kirchner, the head of Gesamtmetall.

IG Metall president Klaus Zwickel telling a rally in Frankfurt yesterday that a strike can be averted only if a pay offer is made Reuter

So far the union had concentrated solely in discussions on its own demands for a wage rise, Mr Kirchner said, "although the employers also proposed their ideas for cost reduction in October".

But Mr Zwickel said he would make no concessions on cost reductions. "We will only discuss more money," he said in an interview. While most economists and industrial analysts expect an eventual settlement of around 3.5 per cent, Mr Zwickel indicated the membership was expecting at least 4 per cent.

On Tuesday this week, when the union leadership drafted plans to hold a strike ballot at the start of next week and said official stoppages could begin before the end of the month, Mr Zwickel indicated a negotiable offer would be welcome any time up to this evening, when the IG Metall board meets to agree the timing formally.

This will require formal declarations from the union's regional leaders that negotiations have broken down and proposals that ballots should be called.

Bavarian negotiators yesterday became the first to meet the requirements, while union members in other Länder staged warning stoppages in a familiar ritual intended to demonstrate their willingness to strike.

IG Metall said 75,000 workers had downed tools in the union's northern region and a further 100,000 walked off the job in Germany's industrial heartland of North Rhine-Westphalia.

In last year's pay round, a strike was averted only hours before it was set to begin after all-night summit negotiations between employers and union leaders.

Pay negotiations in other industries have slowed to a snail's pace as both sides await the outcome of the stand-off in the engineering and metal-working sector – where the pattern for other settlements is usually established.

Chemicals workers, for example, have been offered around 2.5 per cent in response to their 6 per cent pay claim, but have so far avoided any industrial action.

Pilots' row reveals flaw in Iberia aid plan

By Tom Burns in Madrid

A legal row has broken out among pilots employed by the Iberia group that threatens to severely embarrass the Spanish airline as it applies to the European Commission for permission to inject fresh public funds in order to stave off bankruptcy.

Pilots employed by Viva Air, a small and profitable Iberia subsidiary, said yesterday they had instructed lawyers to sue fellow pilots employed by Iberia for taking over routes that for the past three years have been operated by Viva.

The court action highlights a flaw in the Iberia viability plan that the Madrid government presented to Mr Neil Kinnock, the European transport commissioner, last week because it centres on the effective winding up of Viva as a regular airline operator in order to benefit Iberia, the larger but considerably less competitive parent. Viva is a low-cost operator that shares characteristics with the British Airways subsidiaries, BA regional and BA Gatwick.

The Madrid government's request for a Pta130bn ($1bn) re-capitalisation of the airline is already controversial because Iberia was bailed out with public money three years ago and any further fresh funding contravenes the so-called "one-time, last-time" payments that are authorised to assist long-term restructuring plans for European airlines.

At the end of last year Iberia's unions, including its powerful pilots association, called off strike action and accepted salary cuts of between 3 per cent and 15 per cent in order to allow the government to approach Brussels over new funding.

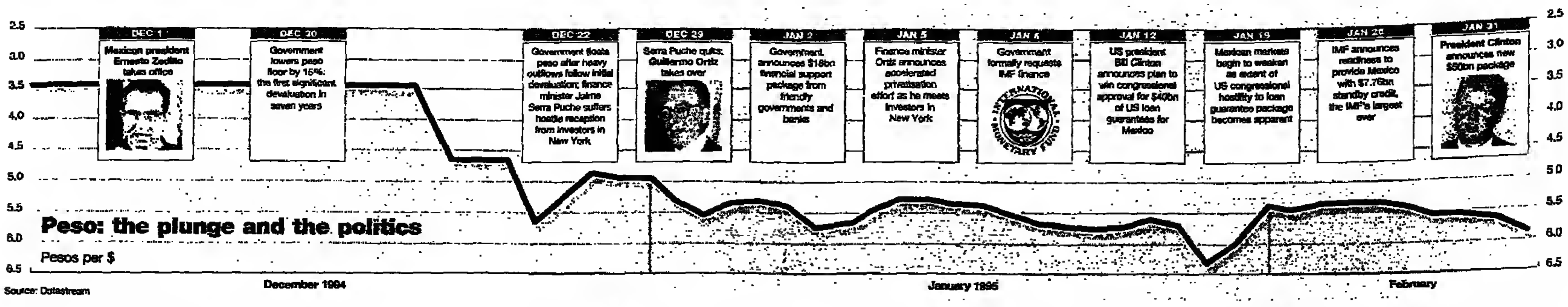
Iberia pilots accepted the viability plan after the airline's management bowed to their demand that regular routes flown by Viva should be operated by Iberia and that Viva should become a charter company.

Mr Antonio Calvo, a Viva pilot, said that it was "folly" to pretend that Iberia could profitably operate the routes it was taking over from Viva. The cost base for Iberia – under the available seat system – is Pta15.5, while that of Viva is Pta9.3.

A former director of Iberia, who asked not to be named, said Iberia appeared to be backtracking on what had been an intelligent and pioneering move by the company in 1992 when it allowed Viva, then solely a charter airline, to compete directly with Iberia as a regular carrier.

"What tha Commission should do is to force Iberia to give more routes to Viva, not to take them away, and to suggest to Iberia that it could subsequently raise funds for itself by privatising Viva," he said.

NEWS: MEXICAN RESCUE



Source: Datastream

Bitter legacy of battle to bail out Mexico

At the end of January, President Bill Clinton gave up a fight to push through Congress a package of loan guarantees to bring Mexico out of a financial crisis. He announced he would replace the guarantees with $50bn of US and foreign support. FT writers examine the background and implications of the decision, which is still far from resolving the crisis. Analysis by George Graham in Washington, Peter Norman and Stephen Fidler in London and Ted Bardacke in Mexico City.

It was around 8pm on Monday January 30 that Leon Panetta, White House chief of staff, finally accepted that the administration's plan to rescue Mexico with up to $40bn of loan guarantees was not going to work. Two phone calls in the space of a few minutes had virtually made up his mind. One was from Newt Gingrich, the new speaker of the House of Representatives, the other from Guillermo Ortiz, the Mexican finance minister.

The message from Gingrich was simple and pessimistic: Congress was objecting to the loan guarantee package and the chances of its rapid and successful passage were slim and worsening. The conversation with Ortiz was also deeply worrying. Money was flowing out of Mexico so rapidly that without US help it would soon have to abandon the convertibility of the peso. From a foreign investor's perspective, that was the equivalent of defaulting.

At the US Treasury, officials had watched with growing alarm as the peso sank to an historic low of 6.35 to the dollar, close to half its value just over a month earlier and a level that threatened Mexican companies and banks. The previous Thursday, the International Monetary Fund had announced the largest loan in its history for Mexico – $7.76bn – but the peso had hardly responded. On Monday, the Mexican market was pulling down other financial markets, particularly in Latin America. On Tuesday, the US Federal Reserve's policy-making committee was to start a meeting and likely to worsen things by raising US interest rates.

US Treasury secretary Robert Rubin, who had taken office earlier that month, foresaw widespread and potentially disastrous consequences if Mexico – Washington's star pupil in pursuing market-based reform – defaulted. "The effect would be considerable both on immediate capital flows and, perhaps more important, on the mindset of investors for a long time to come – and also on the mindset of politicians considering whether to reform," he said later.

Soon after Panetta hung up, he began a critical meeting with Rubin and Sandy Berger, the deputy national security adviser, at the White House. Recognising they would be there for some time, they sent out for pizza. They were still eating when President Bill Clinton returned from dinner after 11pm.

Some time later, Clinton made a preliminary decision to abandon the loan guarantee proposal and switch to "Plan B", a new support package centring on $20bn of finance from the US Exchange Stabilisation Fund. That money could be provided on Clinton's own authority.

But Panetta and his colleagues knew they needed backing from elsewhere, both to convince the markets that enough firepower was in place to prevent a default and to show Congress Washington was not alone. "Because Mexico's deterioration had been so substantial and because it was our judgment that the next day, Tuesday, was likely to be substantially worse than Monday, there was only a very short time in all likelihood to act in which to avert crisis, financial distress and probably default in Mexico," Rubin said later. They had, he said, just a few hours before the markets opened in Mexico on Tuesday morning.

Throughout the previous week, the administration's efforts to win support for the congressional plan had been intense. Mexican and US officials had been in constant contact. Foreign minister José Angel Gurria had, one Mexican official said, "virtually set up shop" at Foggy Bottom – the US State Department – negotiating the conditions for the loan guarantees.

As support for the plan waned, former finance minister Pedro Aspe and presidential chief of staff Luis Téllez made low-profile trips to Washington to lobby for the plan and explore alternatives.

After returning to Mexico City on Friday January 27 with a gloomy analysis, Téllez got together with Ortiz, central bank president Miguel Mancera and commerce secretary Herminio Blanco.

Together, they wrote a document, sent to Washington the following day, detailing the critical condition of Mexico's financial system and the need to act quickly. Reserves were falling towards $3.5bn and more than $2bn of a special $9bn credit line from the US Federal Reserve had been used.

Funds from the US credit line would be necessary to redeem maturing *tesobonos* – the dollar denominated securities at the heart of the government's liquidity problems. The document also said that this money, together with the original IMF disbursement, would not be enough and would eventually be exhausted.

When the document reached Washington, it became clear that time was running out. Alternatives to the loan guarantee plan – including the use of the stabilisation fund – were explored in detail on the Saturday at a meeting of top administration officials in the Roosevelt Room at the White House.

Publicly, the administration continued to seek support for the loan guarantees. On Sunday evening, Clinton telephoned leaders of both parties in Congress and asked for a bill to be introduced in the House "by the close of business" Monday. No mention of an alternative plan was made in phone conversations with the leaders.

Despite this, the possibility of switching to Plan B was raised in Paris on Sunday by Lawrence Summers, US undersecretary for international affairs, at a meeting with his opposite numbers from the Group of Seven industrialised countries, a senior G7 official said. However, the guarantee package was not dismissed as dead at the session, which was to prepare for a gathering the following weekend in Toronto of the G7 finance ministers and central bank governors.

The emphasis in Washington on Monday morning was still on putting a bill on loan guarantees together. "This is obviously an unchosen issue at an unwelcome time, but that doesn't mean it's an issue that can be ducked," said Congressman Jim Leach, chairman of the House banking committee and chief Republican negotiator on the loan guarantees legislation.

Leach and Barney Frank, the negotiator on the Democrat side, had done most of the work on the draft legislation, several versions of which had been bouncing back and forth between them. However, relations between Republican and Democrat legislators had soured; and the drafts were not being passed directly between the negotiators, but via the White House.

Over the weekend, Gingrich and Richard Gephardt, the House Democratic leader, had begun to take over the negotiations. Gingrich told the White House on Monday morning that prospects for putting the bill together were improving. He said negotiators were closing in on a compromise that addressed Democratic concerns that the legislation should include protection for US labour. But Frank's judgment was that the Republican draft was "a little better" but still not good enough to win over many Democratic votes.

Late in the afternoon, Gingrich postponed a meeting with Gephardt to meet a group of Republicans, including Bob Dole, the Senate majority leader, Governor George Bush of Texas, and Governor Fife Symington of Arizona, who were lobbying for the package.

By this time, Dole was very pessimistic: "Everybody's adrift. Support has eroded." They were still a long way from getting a bill; even further from getting votes.

Gingrich soon afterwards picked up the telephone to call Panetta at the White House. It would take at least another two weeks to line up support for the package. If the president acted on his own, Congress would breathe "a huge sigh of relief".

Andrew Crockett, general manager of the Basle-based Bank for International Settlements, arrived on Monday night back in Basle from Davos. The ski resort, which once a year hosts the world's economic policy establishment, had been riven with rumour about Mexico.

About 7am on Tuesday – 1am Washington time – he received a call he had been half expecting – a Fed official told him of the tentative plan to switch to Plan B.

Through transatlantic telephone calls on Tuesday morning, Crockett learned that the US was prepared to use the stabilisation fund to provide $20bn. Largely on the strength of this, the BIS chief advised the US that the White House could announce that discussions were underway for a doubling of the BIS tranche of the support package to $10bn.

Crockett, a former senior Bank of England official who had spent time at the IMF, felt he could hold out this prospect because that level of support had been discussed in a desultory fashion for some time.

The BIS originally announced on January 3 that some member banks had agreed to a $5bn credit facility as part of a total $18bn aid package, also backed by the US, Canada and private banks.

This move had not been popular with European central bankers, although at the time it was envisaged that the BIS credit should be a largely a "bridging" credit to an IMF standby loan.

When the US announced its guarantee scheme on January 12, the US asked the BIS if it could raise the amount to $10bn. Germany's Bundesbank and the Netherlands central bank were especially unhappy. Contacts between the US Treasury and foreign governments had also been weak as the Mexican crisis gathered strength around Christmas. Lloyd Bentsen was quitting as US treasury secretary and Rubin, former head of the New York investment bank Goldman Sachs, was not yet in harness.

The Europeans felt the Treasury team, including Summers, lacked experience in handling international problems. Some were irritated by what they saw as Summers's arrogance. The Treasury team had apparently assigned a much higher priority to informing and consulting legislators on Capitol Hill. Even on the Hill, Rubin's support for the loan guarantee package was seen as backfiring: many legislators saw Rubin as arguing for a bail-out to help out his old pals on Wall Street.

The British and others argued that the Mexican crisis did not add up to a systemic problem for the world financial system; that they were being roped into bailing out US pension and mutual funds which had invested imprudently in high-yielding Mexican paper; that the US was shirking its regional responsibilities.

Longer term, they argued, the plan constituted moral hazard, an action that would encourage future unwise behaviour by policymakers and investors – the very behaviour that produced the crisis in the first place.

Discussions among central banks on raising the BIS contribution therefore went slowly. Some felt there was no rush because the guarantees would take some time to win congressional approval. Although cool to the idea, Bundesbank officials had intimated that they would probably participate in a bigger package of up to $10bn if other central banks took part.

Against this background, Crockett made clear at the outset there was no final agreement on the size of its credit or on how much each central bank would contribute. He and European central bankers were surprised and, in some cases, annoyed that Clinton's announcement of the new support package later that day implied the BIS credit was sewn up.

The preliminary decision to switch to Plan B was just the start of what Rubin called "a very agonising night". For the plan to be credible, substantial extra finance had to be brought in. The IMF was an obvious source. When the administration informed the Fund on Monday night of the switch, it did not ask for anything specific.

Treasury officials worked all night on the detail, keeping Mexican officials in touch with developments. When they went home at 5am, there was still no indication that there would be more money from the IMF.

The answer came around 7am on Tuesday in a conference call with Michel Camdessus, the IMF's French managing director, his deputy Stanley Fischer, Rubin, and Summers.

According to the programme developed by Camdessus and Fischer, the IMF stood ready to lend to Mexico a total of $17.8bn, 3½ times more than it has lent to any single country in an operation in its 50-year history. It would permit an unprecedented immediate disbursement of $7.8bn. The IMF would ask central banks from non-industrialised countries to chip in, with any shortfall to be made up by the Fund.

Clinton summoned the House and Senate leaders – Gingrich, Gephardt, Dole and Senator Tom Daschle – to an 8.45am meeting. It was also attended by Vice-President Al Gore, secretary of state Warren Christopher, Rubin, Panetta and other top White House officials. They were given a choice of an all-out push for quick legislation, or executive action using the exchange stabilisation fund. They opted for Plan B: they would back the president if he acted unilaterally.

Camdessus notified the IMF board at 9am – UK Treasury officials said later this did not amount to consultation – and went back to Mr Rubin and Mr Summers with initial soundings.

About 11.15am, Clinton addressed the National Governors Association at Washington's J.W. Marriott Hotel, outlining the new package. "The leadership advised me that while they believe Congress will – or at least, might – eventually act, it will not do so immediately. And therefore, it will not do so in time. Because Congress cannot act now, I have worked with other countries to prepare a new package," he said.

Together with C$1.5bn (£690m) already promised by Canada, and a pledge of $3bn from international banks that Clinton did not mention, the finance available to Mexico appeared to exceed $50bn. The President did not say the BIS contribution was not agreed. Neither was the bank finance.

This was the first time some European officials heard of the package's details. "President Clinton goes to the press and says the Fund will do this and that. It was just not acceptable. We are not banana republics," said a senior European official.

The administration did not get around to consulting European colleagues until Tuesday afternoon in Washington. "Was there as much consultation as there would normally be among the G7, and between the [IMF] managing director and the board? No, but this was an extraordinary situation," a senior US official said.

Though it started slowly, transatlantic consultation became intense in the next 24 hours. But European anger was not quelled. It manifested itself in the first formal discussion on the package, at the IMF's executive board meeting on Wednesday.

There was deep disagreement at the meeting, put back from 2.30pm to 6pm because of the late arrival of documentation. Germany and Britain were sceptical that the risk of contagion to other economies constituted a systemic crisis. The French were more willing to accept the argument. "We don't know how the international markets would have reacted, but in the end, the risk of a default by Mexico could not be run," a French official said.

The IMF and the US saw the risks as self-evident. "If Mexico had imposed currency controls or declared a moratorium it would certainly have spread to other countries. Then the Fund would have faced an even bigger challenge: how do you deal with five or six Mexicos?" said a senior US official.

The meeting stretched on to 11.20pm. At the end, Camdessus put the package to the meeting; no-one objected and he brought the gavel down. Afterwards the German and British representatives went to Camdessus and asked to be recorded as abstaining – unusual for meetings where decisions are usually taken by consensus.

"When the circumstances are exceptional, the support must be exceptional," Mr Camdessus said at a press conference the following morning, describing Mexico's liquidity problems as "the first major crisis of our new world of globalised financial markets".

If Mexico had resorted to foreign exchange controls, it "would have been a true world catastrophe as the pressure on others to follow would have been tremendous, whatever the quality of their fundamentals." The executive directors from Belgium, Switzerland, the Netherlands and Norway – together representing 36 countries in Europe and central Asia – were not convinced. They asked Camdessus by letter to record them, too, as abstaining. Belgium later revoked its abstention.

Officials pledged to air their concerns fully at the meeting of G7 finance ministers and central bank governors in Toronto's Four Seasons Hotel. They were to meet for dinner on Friday night, with the business session on the morning of Saturday February 4.

Originally scheduled as a getting-to-know-you session for Rubin, the new US Treasury chief was to going "to get an earful", according to one European official. But by the end of the meeting, the usual G7 process of papering over the cracks had been successfully achieved. The participants officially expressed "total satisfaction" with the Mexican rescue.

"There is no question that every member of the G7 supports the package fully," said Rubin after the meeting. "I really don't think we left with ill will."

A senior German official put it slightly differently: "It is in nobody's interest to see the package collapse, but it had to be made clear that this must not happen again."

The cracks may have been smoothed over for public consumption, but there remained difficult issues to resolve. One concerned the conditions under which the BIS central banks would provide finance to Mexico.

Central banks normally lend only when they have concrete guarantees they will be repaid. The original $5bn of BIS finance for Mexico announced on January 2 was to be a bridge to the original IMF credit.

Yet when Clinton made his announcement on Tuesday, he suggested the enlarged BIS loan was separate from the new IMF financing. The new BIS financing had become a bridge to nowhere – or Clinton was double counting.

The package thus raised the question of what would indemnify central bank support for Mexico. If the central banks were to avoid taking on a large unsecured credit to Mexico, they would need collateral or other equivalent assurance. Yet, though the details were still being worked out, it seemed the US had grabbed the best collateral – Mexican oil receipts directed through the New York Fed in case of default. It is not clear how – or even if – this issue has been resolved.

When Bundesbank president Hans Tietmeyer emerged this Monday afternoon at the BIS head office in Basle from a meeting of central bank governors, he told waiting reporters that a financing of "up to $10bn" had been "generally agreed". But the terms of the agreement were confidential and would not be disclosed.

However, one finance official in Europe said last week that the BIS financing for Mexico would be essentially a book-keeping exercise. The money would stay in the home central banks and Mexico could describe it as part of its reserves – but would not be able to use it.

Whatever the status of the BIS finance, the funds from the US – a mixture of credits and guarantees – constituted real money to be transferred to Mexico's reserves if necessary, though the negotiations with Mexico over terms and conditions continue.

Clinton's potentially controversial move to use the stabilisation fund has been largely supported in Congress, where legislators reacted mainly with relief that they were not asked to vote on the guarantees. But hostility to a Mexican bail-out remains strong, particularly among newly elected members, who make up nearly a third of the Republican majority in the House.

More fundamentally, transatlantic co-operation has been sorely tested, with possible implications for the future. The perception has persisted that the US was not straightforward. "To the US public they say this is a matter of the national interest; to the international community they say it is a systemic risk," a senior European monetary official said.

The longer-term impact of the crisis on the IMF remains to be seen. Camdessus was late to step in to the Mexico crisis. As his deputy, Fischer, indicated in an internal memorandum after the devaluation, the Fund's surveillance mechanisms left much to be desired. Work is now starting to improve the early warning signals, though the question of what happens when the early warning has sounded remains to be answered.

As the crisis deepened, Camdessus saw an opportunity to place the IMF at the centre of a critical issue in which it had hitherto been peripheral, as his countryman Jacques de Larosière had in the Latin American debt crisis of 1982. At the same time, Camdessus managed to please his organisation's largest shareholder.

But the IMF chief has taken a big gamble with the Fund's resources without the backing of holders of around a quarter of the organisation's shares. Some European governments remain angry that he promised so much with minimal consultation.

The peso's continued recent fall shows that market confidence in Mexico remains low, and emphasises the risks that have been taken to put the rescue together. The Mexican economy will spend time in intensive care under the minute supervision of the IMF and the US Treasury. Camdessus's fate and that of the Clinton rescue package will hang on how effectively the Mexican government manages a severe economic adjustment. If all ends happily, the controversy may be forgotten; Camdessus may even be a hero. But, as one senior European monetary official observed: "Not yet".

Chewing over the details: Leon Panetta, left, in a crisis meeting at the White House with Robert Rubin, Sandy Berger and Bill Clinton

Democrat defectors back new crime bill

By George Graham in Washington

Republicane once again brought in a good crop of Democratic votes when they pushed the last and most controversial element of their package of crime legislation through the House of Repreeentatives, despite hostility from Democrat leaders in Congress and the threat of a veto by President Bill Clinton.

The bill would replace the programme Mr Clinton backed last year to finance the hiring of 100,000 new police officers with a system of block grants that local governments could spend as they choose. The new measure passed the House on Tuesday night by 238-192.

This was, in fact, one of the closest votes since the new Congress convened on January 4. Although the Republicans only have 230 seats to the Democrats' 204, with one independent closely aligned with the Democrats, they have again and again been able to garner 280-300 votes for their "Contract with America" legislative programme, which they are trying to push through Congress within 100 days.

Sweeping as their electoral victory in the country appeared to be in November, the votes in the House have shown the Republicans' dominance in the lower chamber to be even greater than party numbers would suggest.

While the Republicans have shown a discipline not seen for years in a majority party in the US, a strong contingent of right-wing Democrats, many of them from the South, has repeatedly defected.

The Senate, where the Republicans hold 53 seats to the Democrats' 47, is different – the need to muster 60 votes to cnt off debate gives the minority much greater power.

But in the House, the Democratic leaders' problems are just beginning, as a group of 23 House Democrats has now handed together formally. It calls itself The Coalition and wants to set out a conservative programme, distancing itself from the more left-wing party leaders.

"This is not the first step in a conspiracy to register as Republicans. We want to be constructive," said Congressman Gary Condit, a California Democrat who has been one of the leaders of the new group.

He and 12 other members of his group all voted for the Republicans' crime bill on Tuesday, joined by five more Democrats not formally aligned with them.

Some of the southern Democrats take positions so far to the right that they have long been seen as closer to the Republicans than to much of their own party. Several members of Mr Condit's coalition are seen as likely candidates for switching party label.

Even so, Democrats, noting nine Republican defections on Tuesday over the crime bill vote, have not given up hope that moderates will start to show more independence once the 100-day drive to complete the Contract with America is over.

Proposed constitutional amendments expected today

More liberal Brazil in view

By Angus Foster in São Paulo

President Fernando Henrique Cardoso is expected to propose today the first of e series of constitutional amendments he says is needed to modernise Brazil's economy and politics.

The proposals, which need three-fifths support by Congress, are meant to remove some restrictions on competition which the 1988 constitution imposed. Other proposals, to be introduced over the coming weeks, will seek to reform the creaking tax and social security systems and balance the government's budget.

The main changes expected to be proposed today would let the private sector enter joint ventures with the state oil monopoly Petrobrás in petroleum exploration and production. The government would be allowed to grant telecommunications concessions to the private sector, instead of just to state-controlled companies.

Private investors would also be allowed to compete with state-owned companies in piped gas distribution.

Some restrictions on foreign controlled companies would be removed, as would constitutionally required, but largely symbolic, advantages for companies controlled by Brazilian capital. This would let foreign controlled companies compete for mining and hydro-electric projects.

The proposels would increase competition for Brazil's inefficient state-owned sector. But the reforms are likely to be much less ambitious than many private sector and foreign investors hope. The government does not appear ready to privatise Petrobrás or Telebrás, the telecommunications monopoly. Disappointment with the measures helped push the São Paulo stock market to an eight-month low on Tuesday.

Advisers to Mr Cardoso say he is determined on caution, to get the measures epproved rather than see the reforms blocked in Congress, as happened last year with attempted constitutional revision.

But critics point out that the tax and social security reforms, which are more controversial and are causing splits between certain ministries, are already behind schedule and threaten the government's target of approving the measures by the end of June. Any delay would threaten in turn hopes for an equally important set of political reforms which must be completed by year-end in order not to clash with municipal elections next year.

US offers global telecoms blueprint

By George Graham

Vice-President Al Gore yesterday unveiled the blueprint for a "global information infrastructure" which the US will propose to its partners in the Group of Seven leading industrial nations, at a meeting in Brussels next week to discuss telecommunications.

Mr Gore said the US wanted global telecommunications networks built with private capital but open to competition and accessible to all companies wishing to use them.

"Such a network will enable Americans to communicate across national boundaries just as easily as communicating across state boundaries today," said Mr Gore, who has long argued that the opportunities to exchange information and ideas opened by new technologies are essential to sustainable development.

The US blneprint builds on the Clinton administration's National Information Infrastructure plan, recommending private networks with flexible government regulation, conpled with efforts to make sure that poor people are not shut out of the information age.

In the international arena, the US recommends working with the World Bank and the regional development banks to find ways to attract both private and public capital into telecommunications projects, and urges the adoption of regulations to encourage open networks by requiring telecommunications companies to ellow non-discriminetory access to their networks.

The US also wants the adoption of technical standards to ensure that national information networks can be connected in the same way as ordinary telephone networks today.

It was the US, at the summit in Naples last year, which pressed for the G7 to take np telecommunications issues. Mr Gore will lead the US delegation on February 24-26 at the ministerial meeting in Brussels, with Mr Ron Brown, US commerce secretary.

Microsoft back 'on the hook'

Louise Kehoe interprets US court ruling on the software company

Bill Gates, Microsoft co-founder and chairman: his critics attacked the legal settlement Picture AP

Microsoft, the most powerful company in the world information technology industry, may face the prospect of tougher antitrust sanctions after a judge's rejection of a settlement reached with the US Justice Department last July.

The settlement would have "let Microsoft off the hook", critics in the software industry charged. Yesterday, they applauded the decision of Judge Stanley Sporkin, to reject the settlement as "too narrow".

The judge's decision throws the case back to the Justice Department, which must now decide whether to appeal againet the ruling, try to amend the settlement agreement to make it acceptable to the judge, possibly by broadening the sanctions that it imposes on Microsoft, or take the case to trial.

In the proposed settlement last July, Microsoft had agreed to modify the conditions of the software licences it grants to personal computer manufacturers for MS-Dos and Windows, the widely-used PC operating system programs.

The Justice Department charged that the company's long-term licensing contracts in effect blocked competition in the PC operating system market. While agreeing to shorten its licences to one year, Microsoft admitted no wrongdoing.

For the dozens of US software industry executives who, over the previous four years, had shared their experiences of attempting to compete with Microsoft with government investigators, the settlement was an anti-climax. Many felt the Justice Department had "caved in" by failing to address broader issues.

In particular, competitors charge that Microsoft has used its dominant role in the PC operating system market, where it holds an approximately 85 per ceot market share, to gain unfair advantage in the markets for application programs such as wordprocessors, spreadsheets and games.

During his five-month review of the case, Judge Sporkin questioned whether the government should not break up Microsoft, forcing the company to separate its applications and operating systems businesses.

The consent decree failed to address many of the concerns raised during the investigation, the judge said, and even oo the issue of licensing practices did not go far enough because "there may be endless debate as to whether a new operating system is covered by the decree".

In his ruling, the judge also raised concerns about accusations that Microsoft has "pre-announced" products to stymie competitors' plans for competing programs. He complained that the Justice Department had not addressed this issue in the settlement agreement.

Microsoft acknowledged that it had used such tactics, but refused to agree not to do so in future, the judge complained in his written opinion.

"While Microsoft has denied publicly that it engages in anti-competitive practices, it refuses to give the court in any respect the same assurance. It has refused to take even e small step to meet any of the reasonable concerns thet have been raised by the court."

Privately, software industry executives acknowledge that Microsoft ie not alone in announcing "vepourware" – software products that do not yet exist and which are unlikely to be launched in the near future. More significant, they say, are Microsoft's "bully tactics" that limit competition.

While Judge Sporkin may not be well versed in the ways of the software industry, said e software company lawyer, he had been astute in recognising that the antitrust settlement agreement sidestepped the real issues.

The judge was also critical of the Justice Department, complaining that the government agency had refused to reveal how and why it had arrived et the settlement.

"The picture that emerges from these proceedings is that the US government is either incapable or unwilling to deal effectively with e potential threat to this nation's economic well being," said Judge Sporkin in his ruling.

If the settlement were approved by the court, he said, "the message will be that Microsoft is so powerful thet neither the market, nor the government, is capable of dealing with all of its monopolistic practices".

The judge has set a hearing for March 16 to continue proceedings. It is unclear, therefore, whether his ruling is final and thus whether it may be possible for the Justice Department to appeal.

In the meantime, Microsoft's future is clouded by uncertainties over what will happen next in the antitrust case. The company's bold statement last July that the settlement would enable it to "put this behind us and move forward ... avoiding further expense and distraction" now appears to be a vain hope.

Although Microsoft is clearly hoping for an appeal, it is not yet clear whether the Justice Department will be willing to take this course.

What's more, the Justice Department, embarrassed by the judge's admonitions, could take a stiff line on Microsoft's planned $1.5bn acquisition of Intuit, the leading personal finance software company. A routine review of this transaction is believed to have expanded into e broad investigation into its implications.

N Korea threatens to scrap nuclear deal

By John Burton in Seoul

North Korea yesterday threatened to scrap its nuclear agreement with the US if Washington insists that Pyongyang must accept South Korean light-water reactors.

In a sign of renewed diplomatic brinkmanship, the North Korean foreign ministry warned that "it might be better for us that the agreement is scrapped now in the initial stage than spending time with debate on the infeasible provision of the LWRs (light-water reactors)."

The US and North Korea must sign a contract on the supply of reactore to Pyongyang by April 21 under the terms of last October's nuclear accord.

Under tha agreement Pyongyang promised to dismantle its current nuclear programme, which is capable of producing atomic weapons, in return for the safer light-water reactors.

Although the country of origin for the light-water reactors was not specified, the accord stated that they would be similar to a model used in South Korea.

South Korea has promised to finance more than half of the $4bn project, but it has warned that it would withhold the money if North Korea refuses to accept its reactors.

North Korea said it was under no obligation to accept the South Korean reactors because it must eventually pay for any new reactors.

"Under these conditions, it is a fully legitimate right for us, the buyer, to choose the reactor type we like," explained the foreign ministry.

Pyongyang has raised safety and operational concerns about the South Korean reactors, which are based on licensed technology from Combustion Engineering of the US.

However, analysts in Seoul believe that North Korea is opposed to the South Korean reactors because Pyongyang would be forced to accept the presence of hundreds of South Korean technicians and engineers during the 10-year construction period.

Pyongyang also fears that acceptance of the South Korean reactors would give Seoul a atranglebold on North Korea's future energy supply since the reactors are operated on imported uranium fuel.

The supply of the South Korean reactors would also amount to a humiliating acknowledgement by North Korea that its southern rival is more economically advanced.

Instead, North Korea would prefer a friendlier or neutral supplier. "There are four or five countries in the world which have a perfect capacity to build light-water reactors and a rich experience of export," the ministry said.

North Korea has approached Russia and Siemens of Germany for the supply of the reactors. Moscow has recently expressed interest in reviving a 1991 agreement to sell its reactors to Pyongyang.

Meanwhile, Seoul is urging the US to resume their annual Team Spirit military exercise this spring as a means to press North Korea to accept the South Korean reactors and renew political dialogue.

Pyongyang has long opposed Team Spirit, which was suspended last year to persuade North Korea to sign the nuclear agreement.

Its revival could force Pyongyang to scrap the agreement in the same way that the staging of Team Spirit in 1992 contributed to North Korea's threat to withdraw from the Nuclear Non-Proliferation Treaty, which precipitated the current nuclear dispute.

If North Korea continues to refuse to accept the South Korean reactors, it would not necessarily jeopardise the nuclear agreement with the US, according to Mr Choi Dong-jin, who beads the South Korean agency responsible for supplying the reactors to Pyongyang. "The agreement would remain valid, but we just wouldn't pay for it," he said.

But the withdrawal of South Korean financing would give the Clinton administration, in the absence of support for the deal from the Republican-dominated US Congress, the very difficult task of finding donors from other countries to pay for possibly Russian or German reactors.

Farhan Bokhari, recently in Jalalabad, explores the appeal of Afghanistan's young Islamic zealots

Mysterious 'Talibans' at Kabul's gates

The failure of Afghanistan'e mujahideen leadership to end the factional fighting that has claimed 25,000 lives since the war was enpposed to have ended three years ago has created the conditions for a fresh fundamentalist uprising.

A new movement of "Talibans", or students from Islamic schools, who have spent most of their lives under the influence of religious zealots turned teachers, is fast changing the face of the Afghan military and political landscape.

Yesterday the mysterious force had fought their way virtually to the gates of the capital Kabul which they appeared determined to take. They said their aim was to disarm all warring Afghan groups.

After driving the head of the Hezb-i-Islami faction, Gulbuddin Hekmatyar, from his beadquarters 25km south of Kabul, the Talibans were demanding entry.

The Talibans, by some accounts consisting of up to 20,000 armed young men, have already taken over provincial governments in five of Afghanistan's 29 provinces in the past three months and have made their most significance advances over the Islamic religious month of Ramadan.

Last night the nominal government of President Burhanuddin Rabbani and representatives of the Talibans held tense negotiations in an attempt to avert fresh fighting.

A UN peace plan calls for the formation of a multiparty governing council this weekend, but the proposal could be undermined if the two sides launch a new round of combat.

The Talibans told President Rabbani's forces to pull back to the southern edge of Kabul. The government forces appeared to concede some ground last night, though they still controlled the city's southern border. No serious fighting was reported.

With the scale of devastation that plagues Afghanistan today, it is not surprising that the Talibans have gained so much ground, in spite of the fact that they advocate the total seclusion of women from daily life, ending the few token freedoms available under the mujahideen government, and telling people not to play chess or soccer because they are "un-Islamic" pursuits.

The Talibans' appeal is simple: they say they will remove the "incompetent" mujahideen government in Kabul which had not only failed to bring peace but also to provide basic needs such as food, shelter and security.

The international relief agency Care recently reported that more children under the age of five are dying of disease in Afghanistan than in any other country.

Repeated appeals from tha UN and countries in the region urging different factions to lay down their arms have failed to bring permanent peace among the warring factions, especially around Kabul.

In the refugee camps around Jalalabad, the last frontier town before Pakistan, babies are freezing to death during the night. World Health Organisation officials estimate that up to 40 per cent of children are suffering from acute respiratory infections in the camps of 200,000 people. Care estimates that up to 200,000 more people may be forced to leave Kabul as a result of disease, hunger and cold.

One UN official points towards the hard, rocky, barren ground: "Before the camps were put up, if the Americans would have told the world that this was the moon, people would have believed them." UN backed reconstruction and relief efforts continue to work on a tight, shoe-string budget.

Taliban forces preparing to attack Maidan Shahr in the south-east earlier this month before sweeping on to Kabul Reuter

So far this year, less than 14 per cent of the UN's annual appeal of $106m for Afghanistan, made before last September, has been committed. The figure for commitments is almost the same as for the previous year, showing continued international frustration.

Visa restrictions by neighbouring Pakistan and discouragement of new refugees by Iran have closed escape routes to the two countries that gave safe havens to Afghans for many years. Forced to stay in their own country, many would find the Talibans no worse an option than the mujahideen government, western diplomats say.

The spread of the Talibans has raised fresh worries among Pakistani officials and some diplomats, concerned over the future of efforts to control the large flow of drugs from Afghanistan if a new government closes contacts with the west. There is also concern the movement would try to spread itself to other countries of the region, especially some of the newly independent central Asian republics.

Within Afghanistan the influence of the Talibans is already evident, even in areas not under their control. In Jalalabad all women except those working in the health and teaching professions have been ordered to return home after a visit by emissaries from the Talibans, warning the government that Nangarhar province, of which Jalalabad is the capital, could be their next target.

The province is hardly in any shape to resist. Young soldiers, militiamen and government employees have not been paid for four months. The government is bankrupt. The more fortunate people in Jalalabad, a city of half a million, get electricity for one night a week, at best, and other essential commodities are either in short supply or too expensive for the average household.

For the world at large, the primary danger from the rise of groups such as the Talibans comes not only from the possibility of their influence spilling over in the region, but also concern about tha future of western-backed efforts to curtail the flow of drugs such as heroin, produced largely from poppy grown by Afghan farmers.

This year, some 20,000 acres of poppy fields – or almost 70 per cent of the crop in Nangarhar province, also nicknamed little Columbia, were destroyed. In future the costs may be too high. The initiative has triggered fresh dissent in his 50-man *shura*, or council of representatives of different factions, which holds the key to peace in the province.

The provincial governor, Haji Abdul Qadeer, may just have to back off to keep the coalition together and the Talibans out.

Islamic students tap popular anger at mujahideen feuding

The Taliban Islamic student militia beating at the gates of Kabul owes its whirlwind rise to popular anger at Afghan mujahideen guerrilla factions who disfigured their triumph over Soviet occupiers by endless bloody feuding, Reuter reports from Islamabad.

Rumours that the mysterious Taliban are backed by powers as diverse as Iran, Saudi Arabia, Pakistan, the US, Britain or even the UN have swirled for weeks.

"The Taliban are fairly home-grown," a diplomat said. "Every other Afghan gronp has been getting help from outside powers, but the Taliban have something different."

"The fact ie no one has really unearthed telling evidence that they come from any particular quarter. That'a what is so bewildering," said one Islamabad-based diplomat who has had contacts with the Taliban.

"When I first met them, they struck me as having nationwide ambitions and somehow unstoppable," he said. "Their fresh approach has made them attractive to a broad population."

The Taliban burst onto the scene in late October when they rescued a Central Asia-bound Pakistani truck convoy from local Afghan commanders in the southern province of Kandahar.

They swiftly went on to capture the old royal city of Kandahar and then took control of half a dozen provinces inhabited by Pusbtuns, one of Afghanistan's main ethnic groups.

On Tuesday, they took the headquarters of main opposition leader Gnlbnddin Hekmatyar, a Pushtun, south of Kabul.

His flight allowed forces allied to President Burhanuddin Rabbani to move into positions vacated by Hekmatyar'e Hezb-i-Islami fighters, but yesterday the Taliban demanded government troops should pull back to their old frontline.

The Taliban say they want to sweep away all the mujahidean factions tearing at the carcass of the Afghan state and replace them with a purist Islamic regime.

"Our only victory will be when we get a true Islamic state for Afghanistan," a Taliban commander named Mamour Jah says. "We are for a united and uniform administration for Afghanistan. Anyone who disagrees, we will fight."

The most prominent Taliban leader is Maulvi Muhammad Umar, a guerrilla turned religious scholar in Kandahar who last year mobilised resistance to local mujahideen commanders whose extortion and sexual abuse had outraged the community.

The new movement touched a chord and soon religious students, or Taliban, were flocking to its standard.

Many recruits were said to be Afghan refugees attending Islamic schools in the Pakistani border province of Baluchistan.

The Taliban might have a nucleus of religions students, but they also attracted ex-army officers, defecting guerrilla commanders and former mujahideen.

In areas that have fallen to the Taliban, they have won acclaim by clearing roads of checkpoints manned by guerrillas who preyed on traffic, by disarming gunmen and opposing tha booming Afghan opium and heroin business, an element of keen interest to the western countries.

Whether the Sunni Moslem Taliban can repeat their success in non-Pushtun areas of Afghanistan dominated by Farsi-speakers, ethnic Tajiks, Uzbeks or Shi'ite Moslems remains to be seen.

"They haven't conquered the whole country," a western diplomat said. "It's not so simple to enter non-Pushtun areas, but after Hekmatyar, Rabbani is definitely next on the block."

Tokyo regulator thwarts MPs

By Gerard Baker in Tokyo

Regulators of two Japanese financial institutions bailed out by the government yesterday refused a request from the Japanese parliament to hand over a full list of depositors in the two companies.

The Tokyo Metropolitan government, which is responsible for regulating the Tokyo Kyowa and Anzen credit associations, said it had a duty to protect the anonymity of investors.

Instead it submitted to e parliamentary sub-committee investigating the rescue a document which merely summarised investors by categories. Legislators condemned the authorities' lack of openness and again demanded full disclosure of the names of the depositors.

The row has fuelled the controversy over last December's rescue of the two companies led by the Bank of Japan.

The central bank injected Y20bn (£130m) into the two institutions and persuaded commercial banks to add a further Y20bn, after it was revealed that the two companies had more than Y100bn in non-performing loans.

Most of those loans were made to companies linked to one man, a property developer, Mr Harunori Takahashi, who is also the president of Tokyo Kyowa, and a senior executive of Anzen.

The activities of the two businesses are being investigated by prosecutors for possible false accounting and breaches of banking law.

But in addition to his business interests, Mr Takabashi is alleged to have close financial relations with a number of Japanese politicians and these links have stirred auspicions about the motives for the rescue.

Mr Takahashi'a connections hava already brought about the resignation of a former cabinet minister, Mr Toshio Yamaguchi, from his position as a senior member of the reformist opposition New Frontier party, and threaten to embarrass other leading members of both opposition and governing parties.

Though the detailed list of depositors was not made available yesterday, newspapers reported that it revealed that a substantial proportion of the deposits were also connected to Mr Takahashi.

Nearly a quarter of all deposits at Anzen bank were said to be linked to Mr Takahashi and Mr Shinsuke Suzuki, the president of Anzen, a revelation which will heighten the government's discomfiture.

The two men could turn out to be beneficiaries of the bailout, since some of the money injected seems certain to go to the associations' depositors.

ASIA-PACIFIC NEWS DIGEST

Manila steps up Spratlys watch

The Philippines government will step up aerial and naval watch on the contested Spratly Islands in the South China Sea as well as lodging a strong diplomatic protest with Beijing, it said yesterday. China occupies the part of the Spratly Islands claimed by Manila. President Fidel Ramos told the Philippines National Security Council the building of Chinese naval installations on the Kalayaan Islands group contravened international law as well as the 1992 Manila declaration urging peaceful resolution of the Spratlys dispute. The oil-rich islands are contested by Beijing, Vietnam, Taiwan, Malaysia and Brunei, Manila says. "We shall exhaust every diplomatic option available to us," the president added. He praised the Philippines House of Representatives for enacting a bill to modernise the country's armed forces which, say commentators, have been shown as weak and outdated by China'a recent posturing over the Spratlys. *Edward Luce, Manila*

Tokyo coalition wins reprieve

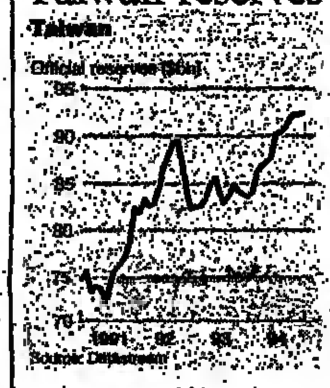
Japan's coalition government won a reprieve yesterday when would-be rebels in Prime Minister Tomiichi Murayama's Social Democratic party postponed a plan to defect. The 24 rebels, enough to destabilise the fragile coalition, had planned to leave the SDP on January 17, but delayed when the Kobe earthquake struck on the same day. Mr Sadao Yamahana, their leader, said they would now put off the defection until after local elections in April.

They plan to form an independent centre-right group, a candidate to join future coalitions. The postponement reduces the pressure on an exhausted Mr Murayama, who is 70, at a time when rumours are growing he is considering resignation. His government is fighting criticism over alleged poor organisation of the earthquake rescue, and battling against the bureaucracy over cuts in state agencies. The Liberal Democratic party, the dominant coalition partner, is eager to keep Mr Murayama in power. If Mr Murayama were succeeded by a senior LDP politician, a Socialist break-up would again become imminent. *William Dawkins, Tokyo*

Japan's trade surplus halves

Japan'a trade surplus more than halved last month, as the disruption to exports caused by last month's earthquake in Kobe, the country's third largest port, intensified an underlying swing in the balance. The surplus fell by 52.3 per cent to $2.88bn (£1.86bn), from $6.03bn in the same month last year, according to a preliminary finance ministry report. Exports rose 4.2 per cent to $27.2bn, outstripped by a 22.2 per cent rise in imports to $24.3bn, still below the overseas trade total. Despite the overall fall, Japan's trade balance with the US rose slightly, by 3.5 per cent to $3.19bn. The general decline in the surplus continues the trend established in the second half of last year. *William Dawkins Tokyo*

Taiwan reserves hit record high



Taiwan's foreign exchange reserves hit a record high of US$92.454bn (£59.3bn) at the end of December 1994, the central bank said. December reserves were up from $92.263bn in November and $83.578bn a year ago. It was the second consecutive month of rises in foreign reserves. Gold reserves at end-December were at 13.565m fine troy oz, unchanged from November and slightly up from 13.558m oz in December 1993. *Taipei, Reuter*

BHP Petroleum cuts Asia staff

BHP Petroleum, part of the Australian energy and resources group, is cutting staff in the Australia/Asia region by almost 25 per cent, it said yesterday. This follows a review of the division's organisation, and a decision to combine the Australian and Asian petroleum operations into one regional group, to sit alongside the Americas and Europe/Russia/Africa/Middle East petroleum sub-divisions, reducing these from four to three. Staff in the Australian and Asian divisions will be cut from 1,172 to 881, with reductions spread across most areas. BHP said yesterday about half these jobs were held by contractors; 50 people will be re-employed elsewhere in the company. *Nikki Tait, Sydney*

Asian property vehicle formed

A group of six institutional investors led by Prudential Insurance of the US have contributed $200m to a new company which will buy commercial property in south-east Asia. The Bermuda-registered South-East Asia Property Company is one of the first vehicles to enable institutions to invest directly in the region's property markets. Until now most investors have preferred to buy shares in local property companies rather than own buildings directly.

Including borrowings, the company will have up to $500m available for investment. The property portfolio will be managed from Singapore by a joint venture between the Prudential and Jones Lang Wootton, the surveyors. Other shareholders are Seaprime Investments, (affiliated to the Government of Singapore Investment Corporation), Australian Mutual Provident Society, Nationale-Nederlanden, part of the ING insurance group, the Abu Dhabi Investment Authority and the State Superannuation Fund of New South Wales. *Simon London, Property Correspondent*

NEWS: WORLD TRADE

'Wide gap' in US-China copyright row

By Tony Walker in Beijing

The US reported last night that there was still a wide gap with China over a copyright dispute that is threatening trade relations between the two countries.

"While the discussions were frank and amicable, there are still a large number of issues to discuss and resolve," the US said in a brief statement after the first full day of talks.

China's comments on the dispute were non-committal. The official Xinhua news egency reported that the two sides had "expressed a readiness to take a pragmatic attitude towards the negotiations".

The US has threatened to impose 100 per cent tariffs on $1.08bn worth of Chinese imports if the dispute over piracy of American information and entertainment products is not resolved by February 26. Beijing has said it will retaliate.

Ms Wu Yi, China's foreign trade minister, expressed optimism about a successful outcome as the two delegations gathered yesterday at her ministry. She sounded rather more conciliatory than in recent uncompromising statements.

"I hope the spirit of these talks will be one of equal mutual benefit, mutual understanding and mutual concessions," Ms Wu said. "I believe and I hope that this time the talks will be successful."

Mr Mickey Kantor, US trade representative, yesterday said: "They [the Chinese] can meet the demands and they can meet them before the deadline."

The US is demanding "concrete" steps against factories producing tens of thousands of counterfeit items, including compact and laser discs, videogames and films. American negotiators are also urging China to crack down on computer software piracy.

American industry says rampant counterfeiting in China costs producers of such items as CDs, video-games and computer software an estimated $1bn a year in lost revenue.

● China reported yesterday that officials had raided several pirate compact disc plants, confiscating some $40,000 pirated recordings. The raids took place last month.

People's Daily, the Communist party newspaper, said the action achieved "progress" in China's bid to beef up its protection of intellectual property. The report appeared designed to demonstrate that China was taking action in the area.

Honest broker seeks Pacific balance

William Dawkins and Guy de Jonquières on a new role for Tokyo in Apec

Japan, former scourge of western export markets, this week tried to perform a new and difficult international trade role: honest broker between the two sides of the Pacific rim – the US and Asia.

Tokyo has just completed its first two days in the chair at a meeting in Japan of officials of the Asia-Pacific Economic Co-operation forum, a diverse bot potentially powerful group of 18 countries that generate half the world's trade and gross domestic product.

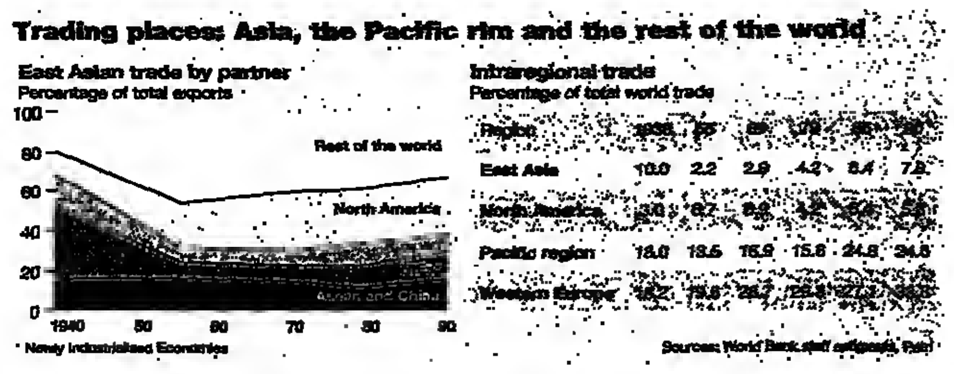
Apec's ambition, agreed late last year, is to graduate from a talking shop to a region with no barriers to trade and investment by 2020.

Japan'e thankless task, as holder of Apec's annually rotating chairmanship, is to get the forum'e members to agree the first steps towards turning that free trade plan into action, without upsetting Apec'e delicate internal balance.

The meeting, in the southern city of Fukuoka, ended yesterday with agreement to start, from today, twin negotiations on free trade plus economic co-operation – meaning financial aid and technical training for Apec'e poorer members.

Trade and economic co-operation should go together like "two wheels of an automobile," says Mr Ryutaro Hashimoto, Japan'e minister for international trade and industry.

The aim of this twin track approach, say Japanese officials, is to bind those Apec members anxious to move fast on free trade, such as the US and Australia, together with cautious members of the group, such as members of the Association of Sonth-East Asian Nations, which want to let down the barriers slowly.



Washington is eager for new export markets, especially at a time when President Bill Clinton needs to show the US Congress some commercial results abroad. At the same time, developing Asian economies are wary of their industries' ability to face more import competition.

Japan's twin approach, named "Partners for Progress", is reminiscent of the former European Community'e policy of using regional aid to compensate poorer member states for the damage suffered by their industries from the removal of import barriers in the 1992 internal market programme.

There is a third, subsidiary track in the Apec talks: "facilitation" or the disposal of administrative import barriers such as long customs procedures, and streamlining of import certification rules. The aim of the four or five official meetings planned between now and Apec's next summit, in Osaka in November, is to sketch out a rough liberalisation agenda and timetable.

The signs from the Fukuoka meeting are that even such modest aims may be hard to achieve. Progress on free trade will be gradual, while less controversial subjects such as economic co-operation and facilitation will be a little easier to move forward.

One constraint will he Japan's perennial post-war difficulty in taking international leadership, partly due to diffidence, partly muddle. Tokyo's conflicting ministries are as far away from a consensus on how the forum's trade aspirations should turn into reality as are Apec'e members.

By instinct, the Japanese foreign ministry is nearer the US view on Apec, rooted in the dominant ministry view that Japan should become more like a normal western power; yet the Ministry of International Trade and Industry is being drawn into Asia by Japan'a growing trade and investment interests there.

Japan's divided bureaucrats do, however, agree on one thing in the Apec debate. They should, in Apec as in Japan'e own affairs, avoid choosing between the US and Asia. That would split the forum and wreck Japan's influence on both sides of the Pacific.

Accordingly, the Japanese government is doing all it can to avoid giving a clear answer to Malaysian prime minister Mahathir Mohamad'e invitation to join the East Asian Economic Caucus, a co-operation clnb exclnding the US and other non-Asians. The Keidanren, Japan's economic federation, wants the government to join the caucus, a sign that it may become difficult for Tokyo'e bureaucratic masters to keep the Pacific balance.

Japan's strategy is to push just a little ahead of the consensus between the cautious Asians and liberalising non-Asians, say foreign ministry officials. Ideally, as Apec chairman, Japan wants to avoid being criticised for going slow on free trade, and yet not push so hard as to upset developing Asian countries. It must produce some progress, even if slight, to satisfy leaders at the summit in November.

The first issue for this year's Apec agenda is to come to an agreed definition of trade liberalisation, a weasel phrase which has very different meanings in Washington and Kuala Lumpur, as well as in different Japanese government ministries. "We expect quite a range of views on that," says one diplomat wryly.

Japan will start by asking its Apec partners to consider basic questions such as the conditions under which Apec free trade accords would be offered to non-members, whether Apec plans to limit itself to enforcing the free trade measures agreed in the Uruguay round of trade liberalisation talks or go further.

But, warn Japanese officials, do not expect any answers to Apec's big questions. To attempt that, they say, would push the forum to breaking point. Tokyo'a bureaucrats, masters at conjuring compromises from complex inter-ministry battles, have learned from their own experience that achieving a consensus in Asia is a long and delicate job.

Dispute timing 'a setback for WTO'

By Peter Montagnon, Asia Editor, in London

US plans to impose sanctions against China for its infringement of intellectual property rights were bad for the trading system, Mr Kim Chul-su, South Korea's candidate to head the new World Trade Organisation, said yesterday.

Timing of the dispute was unfortunate "when we are now starting a new order in international trade," he said during a campaign visit to Europe.

But Mr Kim, who is competing for the job with Mr. Carlos Salinas de Gortari, the former Mexican president and Mr Renato Ruggiero of Italy, was careful to drive a middle line in comments on the dispute. Since China was not yet a member of the WTO, no international dispute settlement mechanism applied, he said.

The heart of the issue was China's ability to enforce rules on intellectual property, he said. "I hope the enforcement measures will be implemented in such a way that they can resolve the problem."

Mr Kim said he still believed China's early entry would be good for the WTO but it would require a spirit of compromise on both sides. It would be unrealistic to expect China to accept all the obligations of membership from the beginning.

The WTO should stick to previous agreement not to allow Taiwan to join before China despite the controversy over the latter's entry.

As to the debate over the leadership of the WTO, the deadline of March 15 should be the last. Trade diplomats say the deadlock reflects the European Union's reluctance to abandon support for Mr Ruggiero, who has most backing from WTO members, and the strong US preference for Mr Salinas. Mr Kim has strong backing from Asian countries and some African ones.

There was no need to introduce an outside compromise candidate. That would only prolong the selection process, he said.

WORLD TRADE NEWS DIGEST

Mitsubishi to lift chip output

Mitsubishi Electric said yesterday it planned to invest Y30bn ($303m) in its European semiconductor facility for production of advanced memory chips. The investment will enable the plant at Alsdorf in Germany to start wafer fabrication of 16-megabit dynamic random access memory chips (D-Rams), turning out 1.5m a month. Prospects for growth in European semiconductor demand prompted Mitsubishi to boost its operations as the market has moved increasingly to 16-megabit D-Rams.

"Further growth is expected in the European market particularly for personal computers and electronic equipment for automotive use, as well as telecommunications equipment such as portable telephones and electronic equipment," Mitsubishi said. It expects growth in the European market as high as 20 per cent "for years to come". Integrated manufacture of chips also allows the company to avoid high European tariffs on imported wafers. *Michiyo Nakamoto, Tokyo*

Italy plans gas import plant

Snam, Italy's state-owned natural gas company, is planning to spend L1,000bn ($619m) on the construction of one of Europe's largest plants to turn imported liquid methane into gas. Snam, part of Eni, the state-owned energy and chemicals group, wants to build the plant at Monfalcone, a port near Trieste in north-east Italy. It is seeking local support for the project, which should take about five years to complete. The plant would have an initial annual capacity of 8bn cubic metres and could help reduce Italy's dependence on gas imported via pipelines from Algeria, Russia and the Netherlands, which accounts for roughly 60 per cent of gas supplied in Italy. Snam, which is doubling its pipeline links with Algeria, said yesterday it did not rule out collaborating with other third-country producers to manage methane liquefaction plants. *Andrew Hill, Milan*

Herlitz invests in Russian mill

A group of investors, led by Herlitz International Trading, a subsidiary of Herlitz, the German paper and stationery retailers, and the International Finance Corporation, the private investment arm of the World Bank, have invested in AO Volga, one of the largest privatised paper mills in Russia. The $150m deal aims to turn the mill into one of the most competitive in the region. Mr Gerard Jaslowitzer, chairman of HIT, said the IFC had taken a 28 per cent stake in the plant, Herlitz a 33 per cent stake, while a group of financial investors had a stake of 29 per cent. HIT, which has already invested $12m in AO Volga over the past three years, said two-thirds of the mill's annual paper output of 530,000 tonnes would be exported to European Union countries with the remainder earmarked for the domestic market. AO Volga last year had a turnover of DM425m. *Judy Dempsey, Bonn*

Portugal turns to gas power

A consortium dominated by Powergen of the UK yesterday began construction of Portugal's first natural gas-fired power plant at Tapada do Outeiro near Oporto. The Es100bn ($637m) build, operate and transfer project is mainly financed by a syndicate of international and Portuguese banks. Siemens of Germany is to supply the combined-cycle 990MW station with three single-shaft gas turbines due to come on line in March and September 1998 and May 1999. Portugal is to import natural gas from Algeria through the Europe-Maghreb pipeline, due to be completed in 1996. The plant will also be equipped to burn fuel oil to cover the risk of breaks in gas supplies. *Peter Wise, Lisbon*

NEWS: INTERNATIONAL


Israeli soldier hurdles a barricade in pursuit of stone-throwers AP

Israel Chemicals sale approved

By Julian Ozanne in Jerusalem

Israel's parliament yesterday approved the controversial sale of a controlling stake in Israal Chemicals, the country's biggest chemicals and fertiliser company, after fierce political debate and opposition from workers.

The sale of a 24.9 per cent stake in the company for $230.3m, is the government's biggest divestiture to date and will inject fresh momentum into the much delayed privatisation process. It also paves the way for the sale of a further 22 per cent of Israel Chemicals on international capital markets, due in May, in Israel's first global offering of a government owned company.

The Knesset finance committee voted 10-6 to approve the deal despite strong criticism from many members that selling the company to Mr Shoul Eisenberg, a businessman with vast interests in Israel, would concentrate too much economic power in the hands of one man.

On Tuesday, Mr Yoram Turbovich, government supervisor of monopolies, gave his go-ahead to the sale without imposing any conditions on Mr Eisenberg's Israel Corporation which controls the Zim shipping company, in which with the government has a 48.5 per cent stake, and oil refineries.

Knesset members also voiced concern about employee security after workers, who lobbied the committee yesterday, alleged the new management planned a big programme of redundancies.

Economists said yesterday's parliamentary approval was crucial to advancing the privatisation programme in the face of continued political, bureaucratic, worker and management opposition. It also clears the way for the government to move ahead with global public offerings, led by Israel Chemicals, in the wake of the continuing bear domestic stock market.

Lehman Brothers has been appointed lead co-ordinator for the global offering of Israel Chemicals and Wertheim Shroeder is advising the government. After the global public offering, the government's stake will be reduced to a 28 per cent "golden share" designed to protect the vast natural resources the company exploits.

Meanwhile, Israel yesterday published figures showing an increase in consumer prices for the month of January of 0.2 per cent, giving an annualised inflation rate of only 2.4 per cent. The low figures fuelled speculation of a decrease in interest rates.

Israel privatisation plan set for breakthrough

Restructuring and foreign capital lend impetus to overcome obstacles, writes Julian Ozanne

Israel'e privatisation programme is on the verge of a breakthrough this year as the government moves to sell off the big companies that have dominated the economy since the foundation of the Jewish state in 1948.

But vested interests, which have delayed the programme ever since it was launched in 1987, remain powerful obstacles. Yesterday's fierce debate in parliament over the sale of Israel Chemicals in the face of job fears was a reminder of the difficulties ahead.

Workers, management, government bureaucracy, political patronage and ministerial opposition have all conspired to prevent privatisation of the big companies. The government companies authority charged with implementing pirvatisation has also had to contend with the legal and technical difficulties in commercial restructuring and the government's determination to protect security interests.

The gridlock has spurred Mr Yossi Nitzani, director of the government companies authority, to say he will resign next month, earlier than expected.

The 30 per cent fall of the Tel Aviv Stock Exchange last year after a long bull run also hit the government'e preferred method of selling companies by domestic public offerings. Last year the government raised a mere $204m from privatisation, against a $1.5bn target. Most of this came from the direct sale of a controlling stake in a bank.

Nevertheless, the government is determined to push ahead with privatisation this year, and has good chances of meeting its new $1.5bn-$2bn target.

At least five of the top ten etate companies are already on the auction block for 1995: Israel Chemicals, El Al, the state owned national airline, Bezeq, the telecommunications company, Zim Israel Navigation, a large container shipping company and Housing and Development, a property development company.

The government also hopes to sell contolling stakes in Bank Leumi and Bank Hapoalim, the country's two largest commercial banks.

In response to the problems of the local capital market the government has switched strategy to direct sales and global public offerings and has taken oo international investments banks to help. The finance ministry is discussing giving every Israeli on the electoral roll options to buy shares in government-owned companies.

Mr Nitzani believes that in spite of the obstacles the government has succeeded in its main aim, restructuring companies and sectors, to increase competition and efficiency.

"The most important achievements cannot be counted by what companies have been sold and how much money was raised but by the real achievements, improvements and the economic benefits gained from the whole process of bringing companies to market," he said. "I am ready to be blamed as a failure in terms of numbers but I have refueed to sell companies before I am convinced that selling those companies will bring benefits to the economy."

Mr Nitzani says the real achievements of the past two years include liberalising the telecommunications sector and opening it up for competition in the cellular and international traffic market. The government has also removed special concessions held hy Dead Sea Works, a subsidiary of Israel Chemical and increased competition for El Al.

But even Mr Nitzani is frustrated and announced his resignation. He says: "I have had enough of being bashed for the failure of privatisation."

Mr Nitzani's parting gift to the government has been to list measures that should be taken to ease privatisation. Among the most important are concentrating authority over privatisation in fewer hands and reducing political interference once a policy decision to sell a company has been made.

"I don't think it is good for politicians to have power to influence the process because it invites pressures," he said.

Political obstruction and interference remains the greatest obstacle. Israeli prime minister Yitzhak Rabin complained last year about ministers who had "fallen in love with companies".

Mr Victor Medina, chairman of Israel Chemicals, who plans to resign once the company is privatised, said he is going partly because of the ministry of trade and industry's campaign to force the company to re-locate from Tel Aviv to Beersheba, an industrial development zone.

Sale of the banks has been slow for other reasons. The tender for a controlling stake in Bank Leumi attracted only one acceptable bidder - Mr Edmond Safra, of the Safra family which already owns banking interests in Israel.

"The problem of the banks is the lack of potential investors," said Mr Zeev Holzman, CEO of Giza Group, a private Israeli investment bank. "The global experience of commercial banks buying into other markets has been that they have lost money."

Mr Holtzman says the government overpriced companies like Israel Chemicals during the public offering deterring institutional investors from participating in secondary offerings. He also criticises the government for only slowly developing its policy of selling companies to international investors in the wake of the collapse of the domestic market.

Global offerings are now a key to success this year. Both the government and bankers believe the international capital market is ripe for Israeli equity offerings. Foreign investment banks have shown keen interest. Lehman Brothers has already been appointed lead co-ordinator for the international offering of 22 per cent of Israel chemicals, due in April. There is intense competition to underwrite the sale of 25 per cent of Bezeq, worth about $650m, expected in the third quarter of the year.

The global offerings will be the first for Israeli state-owned companies and could determine the pace of future privatisation. Also, for the first time European and Japanese investment banks may be involved in underwriting Israeli equity offerings with tranches being sold in Europe and Asia.

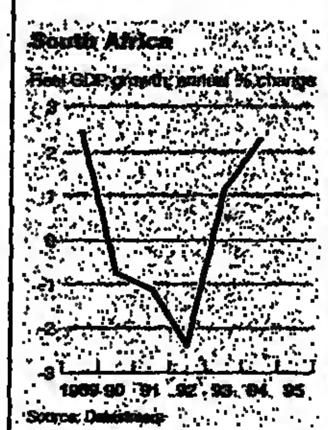
MAIN ISRAELI PRIVATISATIONS 1995

Company	Method	Date	Current govt stake
Israel Chemicals	Private sale 24.9% Global offering 22%	Feb 15 2nd qtr	51.1%
Bezeq	Global offering 25%	3rd qtr	77%
El Al	Domestic offering 15-25% Global offering 26-36%	2nd qtr 4th qtr	100%
Housing and Development	Private sale 52-100%	1st qtr*	100%
Zim Israel Navigation	Global offering 24%	3rd-4th qtr	48.5%
Israel Shipyards	Private sale 100%	1st qtr**	100%

*Tender closed yesterday **Sale to group of investors led by SKD Car for $13.5m conditional on approval of court for ending temporary receivership and of parliament

INTERNATIONAL NEWS DIGEST

S African GDP grows by 2.3%



South Africa's Central Statistical Service said yesterday a 2.3 per cent rise in real gross domestic product in 1994 reflected widespread growth, following largely agriculture-driven expansion in 1993. It said real GDP rose 6.4 per cent on a seasonally adjusted and annualised basis in the fourth quarter following a revised 4.1 per cent rise in the previous quarter. The rise, which was at the top end of market expectations, resulted in the 2.3 per cent expansion for the year, up from earlier unofficial projections of about 2 per cent. Real GDP rose 1.1 per cent in 1993. The CSS said the rise was driven mainly by manufacturing, with a 2.5 per cent rise, trade with a 2.9 per cent increase and finance at 2.7 per cent. The sectors all grew by less than 0.5 per cent in 1993.

The non-agricultural sector rose a seasonally adjusted and annualised 5 per cent in the fourth quarter of 1994, thanks largely to manufacturing and trade. The sector rose 3.5 per cent in the third quarter. *Reuter, Pretoria*

UN watchdog urges staff cut

The head of a United Nations watchdog on waste and mismanagement said the UN should cut staff by up to 15 per cent and perhaps slash two agencies to increase efficiency. In an interview with Germany's Stern magazine to be published today, Mr Karl Theodor Paschke, head of the Office of Internal Oversight Services, also said that UN staff who break the law should be prosecuted, instead of merely sacked, as has been the practice until now.

Mr Paschke, a German diplomat who took office last October, said tha UN Conference on Trade and Development (Unctad) had been made obsolete by the World Trade Organisation and that the UN Industrial Development Organisation (Unido) was no longer needed. *Reuter, Bonn*

More Sierra Leone refugees

Sierra Leone's civil war has driven almost 900,000 civilians from their homes, either as internally displaced people or refugees in other west African countries, the World Food Programme said yesterday. In the past 12 months, the number of people taken into seven camps inside Sierra Leone has doubled to 600,000, the UN agency said.

The number of refugees has gone up by a further 20,000 since the rebel Revolutionary United Front in December extended its operations to the north and west as well as the south and east of the country. *AFP, Abidjan*

Moroccan prices 'to rise 7%'

Inflation in Morocco is set to rise to 7 per cent in 1995 from 5.1 per cent in 1994, mainly because of higher domestic energy prices, the Casablanca-based think-tank CMC said. Drought was likely to lead to negative economic growth in 1995, the organisation said. The government predicted inflation would fall to 4 per cent in 1995 when it presented its annual budget to parliament in November. *Reuter, Rabat*

Major stresses ministerial unity over Europe

By Robert Peston, Political Editor

UK prime minister Mr John Major will today attempt to shore up confidence in the unity of his government by telling the cabinet that there should not be any further public debate on whether sterling should participate in a single currency.

According to senior government advisers, he will stress to this morning's cabinet meeting that all ministers should stick to the government's "very clear policy" on monetary union.

His insistence that ministers adhere to the principle of collective cabinet responsibility follows two weeks of only partly veiled feuding between senior ministers about whether the UK should participate in a single currency.

He will not, however, point the finger of blame at either the pro-European camp, led by Mr Kenneth Clarke, the chancellor of the exchequer, or those hostile to a single currency, notably Mr Jonathan Aitken, the Treasury chief secretary, Mr Michael Portillo, the employment secretary and Mr John Redwood, the Welsh secretary.

"His remarks will be addressed to the cabinet as a whole," said a close colleague of the prime minister.

Mr Major's policy is that there is no possibility of sterling joining in a single currency in 1997, which is the earliest possible date for monetary union laid down in the Maastricht Treaty.

He believes that this is a position which can unite the Conservative party, since it means that no decision on participation will have to be taken in the lifetime of the present government.

However, he will not rule out sterling joining a single currency towards the end of the century. His line is that participation must be judged on its economic and constitutional merits at the time.

His insistence that no minister may henceforth depart from the letter of this policy follows warnings to him – in a meeting on Tuesday night with the executive of the 1922 committee of Tory backbenchers – that the cabinet split was damaging confidence in the government.

Mr Major has also been advised – via the chancellor of the exchequer – of the concerns of Mr Eddie George, the governor of the Bank of England, that the public battle over Europe is weakening the pound. Mr George delivered the same message to a meeting on Tuesday night of the backbench Conservative finance committee.

If Mr Major is successful in achieving cabinet unity on Europe, he will then direct his own campaigning on monetary union against the European Commission, whose president, Mr Jacques Santer, yesterday made a commitment to try to achieve monetary union on the 1997 timetable.

Backbench Tory MPs last night said they were delighted at Mr Major's decision to attempt to restore discipline to the cabinet.

Unionists warn PM on talks process

By John Kampfner and John Murray Brown

The Ulster Unionist party stepped up its brinkmanship over the Northern Ireland framework document yesterday, making clear that it would not take part in the first stage of all-party negotiations on the political future of the British-ruled province.

The warning was outlined in a letter to UK prime minister Mr John Major shortly after Tuesday's acrimonious meeting between Mr Major and three Ulster Unionist MPs.

But the unionists said they were not closing the door on bilateral talks with the government after publication of the document, which sets out constitutional parameters for peace talks. Release of the document is expected next week. Final obstacles were cleared by Sir Patrick Mayhew, UK Northern Ireland secretary, and Mr Dick Spring, Irish deputy prime minister, in Belfast on Tuesday evening.

The two will meet again over the weekend to set the seal on the document and announce a summit between Mr Major and his Irish counterpart, Mr John Bruton. This could take place as early as next Friday, with London the most likely venue.

As the UK cabinet committee on Northern Ireland met last night to hear a report from Sir Patrick, backbenchers played down the chances of the unionists withdrawing support from the government.

"They know that any break with the Tories will mean a break with the union and that their interests are best served by threatening this government," one MP said.

Meanwhile unionist concern that the conference on investment in Ireland in Washington in May will be turned into a political exercise to promote a united Ireland were strongly rebutted yesterday by Mr George Mitchell, US President Bill Clinton's special economic adviser on Northern Ireland.

Speaking in Belfast, the former Senate majority leader, said the US was organising "a business conference not a political conference".

Defending the administration's decision to promote investment in the six border counties of the Irish Republic as well as Northern Ireland, Mr Mitchell said, "necessarily there will be interaction and hopefully indirect benefits to other areas as well".

Ulster Unionists have expressed concern that by promoting investment in the Republic, the US administration is giving way to nationalists. On the eve of a visit to Washington by senior unionist politicians, Mr Jeffrey Donaldson of the Ulster Unionist party said the conference was being "hijacked by the Irish government".

UK NEWS DIGEST

Government to scrap plan for trust taxation

The British government was yesterday forced to announce that it is to scrap completely controversial proposals in its finance bill to reform the taxation of trusts.

The proposals, which were initially designed to help simplify complex tax legislation, had sparked powerful protests from a wide spectrum of interest groups. The new legislation was designed to simplify the law with respect to loans between trusts and "settlors" – those who pay loans into, and receive loans from, trusts.

If the bill had become law, settlors would have been taxed as if interest had been charged on the loan at the official rate – currently 8 per cent.

Opponents of the proposed changes said that while the new code was simpler it introduced a new form of taxation – income tax on interest which had never been received. Yesterday, the Inland Revenue said: "The government has decided to reconsider these provisions in the light of concerns expressed about their application."

The finance bill has already come under criticism for bad drafting and Mr Kenneth Clarke, the chancellor of the exchequer, has suggested that next year parts of the legislation may be drawn up by the private sector. *Jim Kelly and Kevin Brown*

European court boost for medicine companies

Companies trying to find new applications for old medicines may have been given a boost by a preliminary opinion from the advocate-general of the European Court of Justice.

The advice appears to support a UK high court injunction against a UK Department of Health licence to a company, Norgine, which makes generic (unbranded) medicines.

In most cases, the court follows the advocate-general's opinion. However, the court's eventual ruling need not be an unequivocal decision in favour of one side or the other.

The case was brought against the DoH and Norgine by Scotia, a UK biotechnology company which uses ingredients derived from evening primrose oil to treat a range of conditions such as eczema and breast pain.

Scotia had alleged that the Medicines Control Agency, the branch of the health department that licenses drugs, had "unjustifiably relaxed the conditions for the grant of marketing authorisation in favour of Norgine".

In 1992, the MCA granted a licence to Norgine to sell a generic version of the products. The licence application was dealt with under an "abridged procedure" which allows a licence to be granted on the basis of published information rather than the detailed research and development records that have normally to be supplied with an application for the approval of a new drug.

After legal action by Scotia, the high court "suspended the operation of the decision to license", said Mr Philippe Leger, the European Court of Justice's advocate-general.

Mr Leger's formal opinion, issued on February 9 but made public yesterday, is that an application for a licence to sell a generic drug should be accompanied by clinical trials data of a similar standard to that of a completely new drug. This should be the case for 10 years after the launch of the first drug in any EU member state. After 10 years, the rules can be relaxed. *Daniel Green*

Court backs doctor in qualifications row

Britain's General Medical Council unlawfully demanded higher standards from an overseas-trained doctor wanting to qualify for full registration in the UK than those which applied to doctors trained in Britain, a high court judge ruled yesterday.

The decision in favour of Dr Balbir Singh Virik, of Swindon, south-west England, is expected to affect thousands of other overseas doctors. The judge ruled that the GMC had applied a higher test to him than that used for domestically-trained practitioners, instead of properly deciding whether or not all the evidence established Dr Virik'a competence for full registration under the 1983 Medical Act. *PA News*

Companies soften on Japanese fleet cars

More than half of UK companies are now prepared to put Japanese cars on their fleets even if they were manufactured in Japan or elsewhere outside Europe, an annual study of companies' car policies has found.

Cars built at Japanese-owned plants in Europe – mainly Britain – last year became acceptable on the fleets of 72 per cent of companies, according to the long-established annual survey by the Monks Partnership, which makes use of data from nearly 750 companies.

The rapidly fading hostility among UK companies to Japanese cars, once widely seen as a threat to British manufacturing industry, will be welcomed by Nissan, Toyota and Honda. Sales of their UK-produced cars have been slower than originally expected and all three companies are making a determined effort to increase their share of the company car market. *John Griffiths*

Minister highlights questions over transport policy

People must decide whether they are willing to accept the slow-down in economic growth which would result from curbing investment in transport infrastructure to protect the environment, Mr Brian Mawhinney, UK transport secretary, said yesterday.

He was speaking to members of the Confederation of British Industry in the first of a series of speeches intended to form the basis for a wide-ranging public debate of transport issues. Mr Mawhinney called for a debate in December to put an end to "sterile feuding" over transport questions.

"Do economic considerations ... provide us with a persuasive and overriding argument for building more and more infrastructure?" he asked. "If so, how much cost to the environment are we willing to sustain?

The government had to find a balance between three conflicting demands on policy: the need for economic growth, protecting the environment and fostering personal freedom.

The UK needed successful businesses and successful businesses needed good transport infrastructure. "We are in no doubt that an efficient transport system is one of the most vital [requirements] if we are to achieve the doubling of living standards within 25 years to which this government is committed." *Charles Batchelor, Transport Correspondent*

North Sea oil mature but still gushing

A 25% surge in exploration points to long-term productivity, reports **Robert Corzine**

The forecast last week that the number of exploration and appraisal wells drilled in the UK sector of the North Sea this year is likely to rise by 25 per cent is the latest evidence that the area still interests the world oil industry.

Although it is a "mature province" in industry talk, over the past year the productivity of the North Sea has defied forecasts and surprised industry experts.

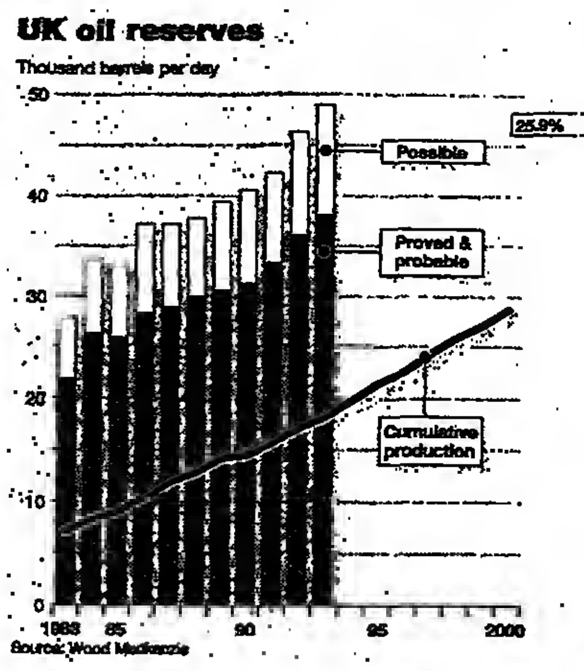
Last year's 25 per cent surge in output to 2.5m barrels a day, combined with a similar rise from the Norwegian sector, undermined efforts by the Organisation of Petroleum Exporting Countries to bolster world oil prices.

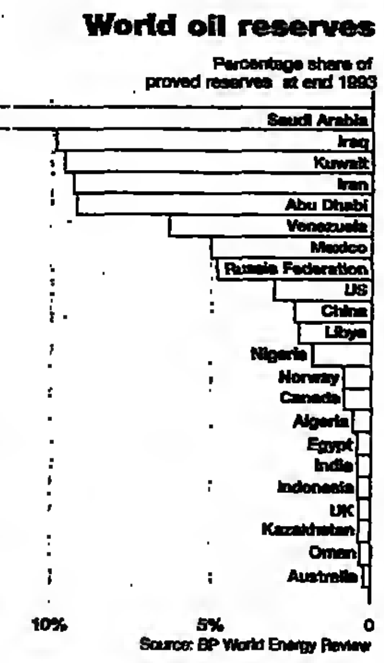
The latest forecasts suggest that monthly output will continue to rise, at least through the first quarter. The only question, say industry analysts, is whether the production surge will break the previous monthly record set in 1985.

Is the UK continental shelf so prolific that new discoveries will ensure that reserve estimates will continue to rise and that output is maintained?

Government figures show that estimates of reserves in place have climbed steadily since 1980. This is not surprising, according to Dr Bryan Taylor of Ukooa, the offshore industry's trade association.

He says that reserve estimates "grow with time because more appraisal wells are drilled on known discoveries". Recoverable reserves also tend to rise over time as companies become more familiar with the production characteristics of individual fields.





Recent estimates suggest that about a third of the 55bn barrels of oil equivalent which may be recoverable has been produced. Another quarter is in production, while a further quarter has been discovered but not developed.

At the end of 1993, the UK's proved reserves were 0.5 per cent of the world's total. This may seem too small for the area to have such an influence on world oil markets and oil company exploration plans.

But more than 20 years of intensive development and £150bn ($232.5bn) in investment has produced one of the world's most extensive offshore networks of pipelines, platforms and shore support facilities.

Companies with older facilities which have already been paid for have an incentive to extend the life of fields, especially since there are costly abandonment charges when platforms are shut down.

North Sea fields have the added advantage of being in a politically stable country close to Europe's main refining centres and industrial markets.

The UK government is working on a new plan to use the existing infrastructure more effectively. It hopes that a system which ensures "fair access" to pipelines and platforms will encourage the development of the North Sea's many small fields, most of which would be uneconomic to develop individually.

Britain also has the world's most attractive tax regime to encourage exploration and production, according to the latest survey by PetroConsultants, a Geneva-based research group.

Technological advances, such as new seismic techniques and drilling methods, are also having an impact on reserves.

Dr Chris Fay, chief executive of Shell UK, recently noted "in the past five years reserve additions have outpaced production", mainly as a result of improved technology.

Production is likely to rise further in the next few years, according to Natwest Wood Mackenzie, the Edinburgh-based consultants. It predicts that annual oil output will rise to a new peak of 2.66m barrels a day in 1997, before slipping back to 2.19m b/d in 2000.

But Mr Julian Kennedy, an analyst with the group, suggests 60-70 new fields containing up to 4bn barrels of oil and 10 trillion cubic feet of gas could be brought forward for development over the next two or three years.

The possibilities of big discoveries in the UK's newest oil province, west of the Shetland Islands, could also have an impact on reserve figures.

A recent study by Gemini Consulting, however, identifies cost reduction, a priority for the industry, as one of the key factors in adding to future reserve figures and cash flow.

An internal study suggested that even relatively modest cost savings could trigger significant development activity. It concluded that a one-off, 20 per cent cut in operating and development costs would enable the industry to invest in new developments worth £12.4bn.

Salesman takes his case to Strasbourg

By Peter Marsh

The European Commission of Human Rights is looking into the case of a former UK insurance salesman forced out of business after an investigation by the self-regulating body for the insurance industry.

Mr Victor Tee, former majority owner of the now defunct Winchester Group, alleges that he was denied natural justice in an investigation of his company by Lautro, the insurance watchdog whose operations are being taken over by the Personal Investment Authority.

Although the inquiry by the commission in Strasbourg is at an early stage, legal experts believe that Mr Tee has a good chance of winning his case and winning compensation from the UK government.

Mr Tee's case dates from 1990 when Lautro investigated the Winchester Group, which was a "tied agent" selling insurance on behalf of Norwich Union, a big insurer. After investigating alleged infringements of industry rules, Lautro issued an "intervention notice" which in effect stopped the company from trading.

Last year the Court of Appeal dismissed Mr Tee's request to have the notice set aside. However, judges remarked that Lautro's rules in 1990, which failed to provide for an appeal against intervention notices, meant Mr Tee was unfairly treated.

Lord Justice Hirst, one of the judges, said in summing up, "[Lautro's] refusal to grant Mr Tee a prompt hearing in order to dispel ... [untrue charges] was a particularly serious departure from elementary fairness and justice".

Lautro amended its rules in 1991 so that people affected by intervention notices had a right to appeal.

Mr Luke Clements, an expert on European human rights legislation, said: "The appeal court seems to have flagged up an important point of law. Judges don't make these remarks for nothing and as a result Mr Tee would seem to have a good case."

In taking his case to Strasbourg, Mr Tee is contending that Lautro's rules in 1990 infringed the European Convention on Human Rights. If he wins his case, he could obtain substantial damages.

Spending fall eases rate rise fears

By Robert Chote, Economics Correspondent

A sharp fall in British retail spending in January yesterday calmed fears that rising inflation would soon prompt the Government to push up interest rates again.

Retail sales volume fell by 0.9 per cent last month compared with December, according to the Central Statistical Office. With spending rising at its slowest rate since 1992 in the latest three months, City of London economists believe retailers will have difficulty passing higher costs and prices in industry on to consumers.

The annual rate of retail price inflation rose as expected from 2.9 to 3.3 per cent last month, in part because discounts in the January sales were smaller than last year. The Treasury said the fall in spending might show that retailers had suffered by cutting prices less and would have trouble making price rises stick.

Mr Hugh Clark, trading policy director of the British Retail Consortium, the retailers' trade association, said: "The absence of consumer confidence, the threat of further interest rate increases, the weak housing market and the political uncertainty are all combining to make consumers reluctant to spend."

The underlying inflation rate – which excludes mortgage interest payments – rose to 2.8 per cent in January from the previous month's 2.5 per cent. The Government's target is for this measure of inflation to be between 1 and 2.5 per cent when this parliament ends in spring 1997.

The signs that inflationary pressure is for now being contained quelled expectations of another early rise in UK base rates in the financial markets. It also helped to calm nerves in the foreign exchange market, where the pound edged up from its near two-year low against the D-mark.

Yesterday's indicators highlighted the dichotomy between those parts of the economy relying on depressed spending by British consumers and those benefiting from the surge in demand from overseas.

Manufacturers, the main beneficiaries of the export boom, created a net 37,000 new jobs in the last three months of 1994, according to the Department of Employment. This was the biggest quarterly increase for at least 17 years, a period during which factory employment has been falling steadily.

OBITUARY

Lord Taylor: giant of the construction industry

In 1921 a 16-year-old boy with sandy hair, piercing blue eyes and a charismatic manner persuaded a Blackpool bank manager to lend him £400 ($620) to build two semi-detached homes for his family.

From this small beginning one of the world's largest construction businesses was born – led by Lord Taylor of Hadfield, who has died at the age of 90. Taylor Woodrow now has an annual turnover of more than £1bn.

The first homes he built in Blackpool were planned for his parents and uncle, Jack Woodrow, but were never occupied by the family. Such was the shortage of homes after the first world war that offers were made by passers-by even before the roof was on. The pair were sold for £1,000 each – a 100 per cent profit.

During the next half a century Frank Taylor was to become one of the most influential figures in the British construction industry.

Born the son of a fruit seller then operating from the front room of the family home in Hadfield, Derbyshire, Taylor left school at 13. He was too young to sign cheques when the company was started and was required to take his uncle, Jack Woodrow, into partnership. Jack Woodrow died in 1929.

Lacking in formal schooling, Taylor relied on his instincts and often appeared to regard business as an exciting adventure.

It is a testament to his charisma that he was able to persuade many of his workforce to uproot themselves from Blackpool when he moved south in 1930 to start building houses in London. Those who went with him were later richly rewarded, several becoming senior executives of the company. Taylor prized loyalty in staff relationships and business dealing and was intensely loyal to those who he felt had helped him.

Lord Taylor: built business from modest beginnings

A number of British construction companies thrived in the post-war climate of renewal; one of these was Wimpey, a former west London stonemason acquired in 1919 for £3,000 by Sir Godfrey Mitchell, a former Army captain.

Sir Godfrey and Lord Taylor were to become close friends as well as rivals. Wimpey was instrumental in helping Taylor Woodrow win large military contracts during the second world war, providing the foundations for Taylor Woodrow's worldwide civil engineering business. In 1935 the company went public. A year later it was poised to start building homes in the US.

In the 1950s Taylor Woodrow became one of the first large UK contractors to seek general construction work overseas, first in west Africa and later in the Middle East, Asia and the Caribbean, allowing it to offset the 1970s decline in UK markets. Some 60 per cent of group turnover was earned overseas by the mid-1970s.

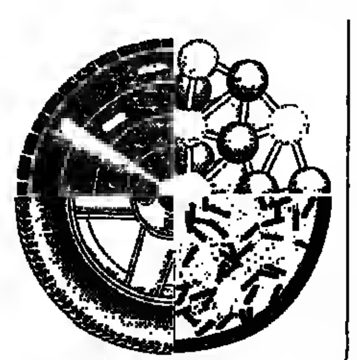
He was group managing director from 1935 when he took the company public, until 1979 when, at the age of 74, he became life president. He was also chairman between 1937 and 1974. After he retired as managing director, he continued to have a strong influence on the business, particularly in the US where he had a supervisory role until 1991.

As Lord Taylor aged, the business appeared to outgrow the man whose management style relied heavily on instinct and a paternalistic loyalty to staff. He was better suited to carving out new markets than day-to-day management devoted to holding on to to previous gains. But without his energy and innovation a great company would not have been formed and the British construction industry would have been poorer.

Andrew Taylor

TECHNOLOGY

Worth Watching · Vanessa Houlder



Organic polymers' key to battery power

Organic polymers are attracting interest in the search for lighter, smaller and longer-lasting batteries. They potentially combine high energy-storage capability with low weight and good mechanical strength.

Scientists in Japan have developed a composite organic cathode that can be used in a rechargeable lithium battery, according to a report in today's Nature magazine. The cathode, based oo a mixture of dimercapton and polyaniline, was found to have a higher energy density than the inorganic electrodes in commercially available lithinm batteries.

Tokyo University of Agriculture and Technology: Japan, tel 42383 4719; fax 42384 3804.

Antisense benefit in cancer treatment

Antisense drugs, which use short strands of nucleotides to interfere with the action of certain genes, are showing promise in the treatment of some types of cancer.

Genta, a US biopharmaceutical company, has reported positive results from an animal study that used an antisense drug to combat drug resistant follicular lymphoma and colon cancer. The drug targeted a gene called BCL-2, which appears to postpone the death of cancer cells. Genta plans to begin human clinical trials in drug resistant follicular lymphoma patients at the Royal Marsden hospital, London, following a toxicology study.

Genta: US, tel 619 455 2700; fax, 619 455 2712.

Seeing how the wind blows

Gauging wind speed on an ocean surface is an important aspect of research into the climatic effects of global warming. But it can be difficult to get an accurate measurement because the vessel distorts the air flow.

Researchers at the James Renoell Centre of Ocean Circulation in the UK found that calibrating each vessel using wind tunnel experiments was too expensive, while using conventional computational fluid dynamics to model fluid flows was too time consuming.

Instead, they have adapted software developed for car engines by Ricardo Consulting Engineers. It cuts sharply the time taken to predict fluid flows around complicated equipment by antomatically generating the "meshes" used for the analysis.

By calculating the flow disturbance caused hy the ship, the research vessels can accurately assess wind speeds, which helps provide improved models of the interaction between the atmosphere and the ocean.

Ricardo: UK, tel (0)1273 455611; fax (0)1273 464124.

Scooter alternative to crutches

Many people with leg injuries find crutches hard to nse. A Dorset-based engineer has developed an alternative, an "orthopaedic scooter" for people witb lower leg injuries. The scooter has four wheels and a knee-level support on which the patient rests the shin, leaving the hands free for normal use.

By keeping the leg weight-bearing from the knee op, the thigh muscles remain in use and so are prevented from wasting. The scooter costs £132.

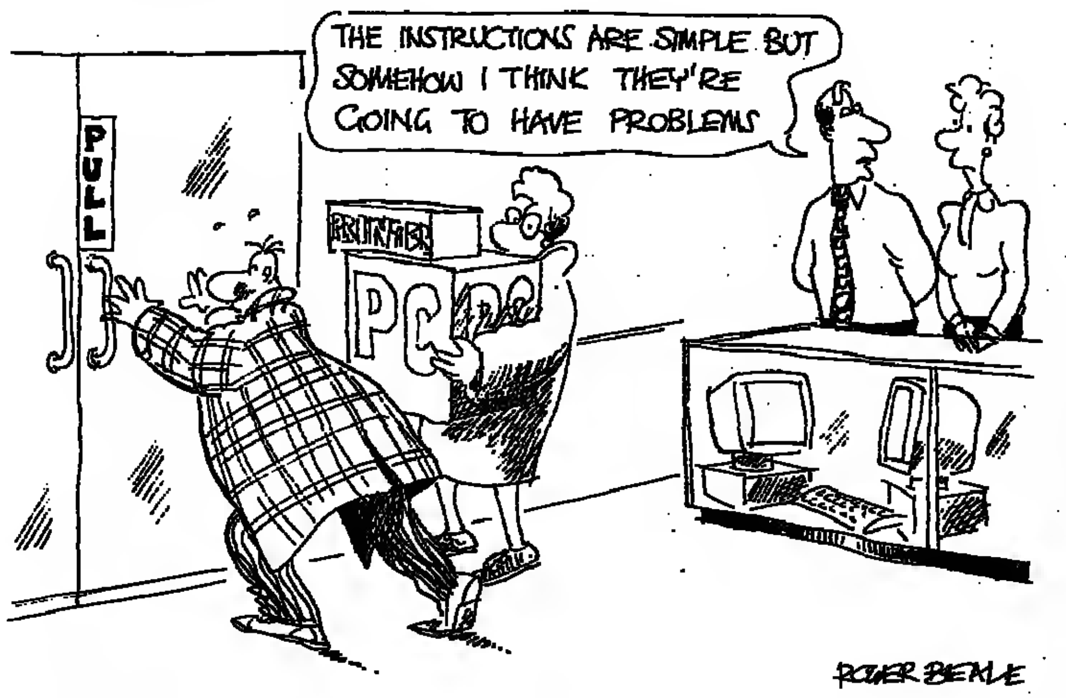
John Reid & Sons: UK. tel (0)1202 483333; fax (0)1202 470103.

Cheaper clean-up of polluted land

Cleaning up contaminated land nsually involves removing the affected soil. EA Technology, a Chester-based company, has developed an alternative technique using electro-osmosis, which it believes could provide a simpler, more cost-effective approach to the prohlem.

The technique involves applying a voltage to electrodes inserted into the ground. The cathode attracts metal ions dissolved in the soil's water, while the anode draws acids.

EA Technology: UK, tel (0)151 3394181; fax (0)151 3571581.



Perils of a cereal packet approach

The PC industry's after-sales service is struggling to keep pace, write **Geof Wheelwright and Louise Kehoe**

If you are one of the estimated 3m people who bought a personal computer for use at home in the past six months, the chances are high that you have already discovered that something does not work properly.

The characters in the Lion King CD-Rom game you bought for the children move their mouths hut do not speak. Your modem is "not responding," the PC screen tells you. Worse, you cannot even get the machine to "boot up".

But where do you turn for help? While the computer industry has finally succeeded in achieving its decade-old dream of creating a high-volume consumer market for PCs, it has yet to live up to consumers' expectations for after-sales service.

If this were your office PC, yon could probably call upon an in-house or contracted computer support service. Even in small businesses, there is usually a "computer whizz" who knows the ins and outs of the systems being used.

At home, however, you are on your own when it comes to computer problems. And as PC companies have discovered over the past few months, your first inclination will probably be to call the manufacturer's "customer support" line.

One PC company is now getting more than 100,000 calls a montb from frustrated customers. Other manufacturers confirm that they too are overwhelmed.

The PC industry has gone to some lengths to make its products easier to set up and use with improved manuals, on-screen instructions and longer warranties. But it is still not keeping up with the market.

"There are more novice users and we are selling them leading-edge, complex technology," says Ronald Chwang, president of Acer America, the US arm of the Taiwanese PC manufacturer. "The demand for after-sales support is growing rapidly."

For AST Research, the crunch came in January as people who bought PCs for Christmas started opening the boxes. The calls came in by the hundreds of thousands, says Anthony DeCristofaro manager of AST's Canadian operations. In most cases it is inexperience of the user, rather than some fault in the computer, that causes the problem. Every PC company has its favourite customer support "horror story".

There is the man who mistook the computer "mouse" for a sewing machine-style footpedal, pressing it with his foot in vain. Then there is the woman who packed her computer monitor in ice, convinced that overheating was the cause of the computer's "headache".

The demanda of novice home computer users have come as a nasty surprise to the PC industry. "There is a widespread misconception that the PC has become a 'commodity' that can be sold like a box of cereal," says DeCristofaro.

"We in the industry may call this a commodity market, but you cannot say that to somebody who has just spent more than $2,000 (£1,290) on a PC. It is a major purchase for any home – probably the third most expensive item after the house and the car."

As the PC becomes a consumer electronics product, users expect and demand after-sales support and warranties that match those traditionally associated with stereos, televisions, washing machines and toasters.

For PC mannfacturers, however, the challenge of supporting bome computer customers is complicated by the fact that most of the problems they encounter relate to software, rather than computer hardware.

Hardware suppliers are not blameless, as has been demonstrated by the "bug" in Intel's Pentium microprocessor chip and Hewlett-Packard's recent announcement that users of its popular DeskJet printers may need to retrofit their machines with a free "cleaning kit".

But software prohlems are far more numerous. AST calculates that 70 per cent of the calls it receives arise from software problems. "Ultimately, our name is on the box and we get the calls," says. DeCristofaro. PC hardware manufacturers complain that they are carrying the costs of supporting software products. Software suppliers are usually less generous in providing after-sales support than hardware manufacturers.

Leading PC manufacturers, for example, now offer three-year warranties on their products, while software program guarantees are shortening to just 30-90 days before users start to incur charges for customer support.

Software companies are getting a "free ride", complains DeCristofaro. "How we divide responsibilities for customer support is going to become a big issue in the PC industry," adds Chwang.

Last month Compaq broke with its tradition of liberal free customer support hy telling US customers that they must in future pay $35 "per resolution" of software problems, unless they relate to programs shipped with the PC.

Compaq will advise customers whether they can obtain free support from software companies. Similarly, Dell, IBM, Digital Equipment and AST now charge US customers for help with software problems.

A new approach to PC customer support could help users to minimise the cost of support services. Microsoft announced last week that more than 50 PC and PC software companies will use the "Microsoft Newtork", an online service due to go into operation in August, to provide online customer support and product information.

While this approach may improve customer support, it will not help if your modem does not respond, or the PC does not boot. The PC industry, it seems, still has a lot to learn about pleasing new consumers.

Phones get smart

The prospects for a single phonecard capable of being used in payphones across Europe are brightening. Siemens, the Germany electronics giant, has signed a licensing agreement with Philips of the Netherlands through which the Dutch company will become a second-source supplier for the Siemens family of smart cards.

The aim is to establish Siemens "Eurochip" cards as the European standard. Phone cards incorporating the Siemens chip can already be used either in Germany or the Netherlands; the UK, Austria and Switzerland may soon follow. As a result of the dual sourcing agreement Siemens and Philips will provide chips for Europe, Africa, central and South America, India and Asia. Competitors include SGS Thomson of France.

Siemens and Philips have previously worked together on a national medical insurance chip card project in Germany. Siemens said yesterday that it would be making tens of millions of Eurochips a year from later this year. The principal customers for the Eurochip include GPT, the telecoms equipment manufacturing gronp, jointly owned by GEC and Siemens, which this week established a new division to exploit the rapidly growing market for smart cards.

Smart cards are the size of a bank card but contain semiconductor chips capable of storing and processing information.

Along with the launch of the new division, GPT announced it was delivering the first 100,000 high security smart phone cards based on the Siemens chip to British Telecommunications. Existing BT phonecards are based on optical technology. The new cards are based on semiconductory memory. They will be a trail introduction in the spring.

GPT already makes and sells 100m magnetic and smart cards annually with revenues of about £30m. It said the new division, based in new headquarters in Coventry, would make it easier to sell to customers other than those buying GPT payphones.

Alan Cane

ARTS

Cinema/Stephen Amidon

A fresh slice of prison life

THE SHAWSHANK REDEMPTION
Frank Darabont

BANDIT QUEEN
Shekhar Kapur

RUDYARD KIPLING'S THE JUNGLE BOOK
Stephen Sommers

ANDRE
George Miller

CAMILLA
Deepa Mehta

HOLY MATRIMONY
Leonard Nimoy

FASTER PUSSYCAT! KILL! KILL!
Russ Meyer

Like westerns and war films, prison movies come laden with a vast amount of cinematic baggage. These days, no director can make a film about life on the inside without referring to all those great jailhouse pictures already shot. Perhaps this is why so few good prison movies have been made recently, why so few filmmakers have been willing to enter the cells that once held Cagney, Lancaster and McQueen.

It is a testament to the strength of *The Shawshank Redemption* that it looks this dilemma squarely in the eye, boldly embracing just about every stereotype and cliché of the genre and still managing to feel like an original. In it, Tim Robbins portrays a successful young banker who, in 1947, is wrongly accused of murdering his philandering wife and her lover. Sentenced to two consecutive life terms, he suffers at the hands of sadistic guards and rapacious cons until he begins using his financial acumen to benefit all round him. Naturally, he also bides his time until he can attempt a meticulously planned breakout.

On the way to that climactic escape attempt, writer/director Frank Darabont, working from a novella by Stephen King, boldly serves up just about every available truism of prison cinema. There is a moralistic warden who turns out to be enriching himself on convict labour, a crazy old coot who works in the prison library and a "bull queer" rapist bent on sodomy. Cigarettes are currency, rebellious prisoners are chucked in hellish solitary confinement, the escape route is through the sewer and, to top it off, there is even a con who lovingly nurtures a baby bird.

Despite all these familiar sights, the film proves strangely effective. Darabont is the sort of director who seems most comfortable on well-trodden ground, establishing scenes we have all seen before only to breathe them full of life and pathos, just as Lawrence Kasdan did with the Western in *Silverado*. He is greatly aided by Robbins, as restrained and enigmatic as ever. But the main acting honours go to Morgan Freeman as the wily old inmate fixer who takes Robbins under his wing. It is testimony to the film's affecting freshness that he makes a character we have seen a hundred times before seem like an entirely new creation.

★

Shekhar Kapur's powerful *Bandit Queen* provides far less conventional viewing. While much Indian cinema seems downright allergic to reality, Kapur's biopic of the infamous modern-day bandit Phoolan Devi is a hard-hitting true life story that seems subcontinents away from Bollywood.

Devi was arrested in 1983 after becoming a lower caste hero for her defiance of the male-oriented system that had victimised her since she was bartered off as an 11-year-old bride. Kapur's depiction of her horrific early life is unblinking and unsentimental, making for a powerful indictment of India's institutional misogyny. The director possesses the rare instinct for knowing just when to pull the camera away from scenes of abuse, providing them with considerable power without ever being exploitative.

The film arrives here shrouded in controversy, with the actual Devi complaining that it dishonours her. It is hard to see how – Seema Biswas'a portrayal of the outlaw is altogether sympathetic, making abundantly clear that her crimes spring from her ill-treatment. Even as the screen Devi participates in the massacre of men complicit in her gang rape there is no doubt that our sympathies are meant to rest squarely on her bruised, defiant shoulders. Indeed, the film is weighted too heavily toward establishing the heroine's victim credentials, thereby depriving us of a more fulsome account of how a woman came to gain and exercise power in such a hostile system.

A far more benign India is depicted in *Rudyard Kipling's The Jungle Book*, an enjoyable action version of the work of that great scribe of imperialism. And despite the fact that it comes from Disney, there is not a cartoon or song around. Rather, such fine actors as Sam Neill, John Cleese and Cary Elwes ham it up with great energy and wit on sumptuous locations. There is also a remarkable array of well-trained animals, most notably a gallery of frenetic monkeys and a scene-stealing orangutan. Kids will love it.

Less compelling children's fare is on offer in *Andre*, the story of a seven year-old girl in 1960s Maine who befriends an orphaned baby seal. Only the least discerning prepubescents will find much of value here – even the antics of the trained seal in the title role grow wearisome, especially when contrasted to Kipling's primates.

★

Camilla is an ode to bohemianism that is so laid back it is practically unconscious. The late Jessica Tandy, in her final performance, plays a former concert violinist who takes a stage-shy young musician (Bridget Fonda) under her wing in an effort to set the younger woman's romantic and professional life in order. Director Deepa Mehta conjures several fine opportunities for the legendary Tandy to show her stuff, yet ultimately fails to sustain the dramatic flow that would allow this to be anything more than an occasionally engaging curiosity piece.

A similar lack of directorial attention afflicts *Holy Matrimony*, the story of a tearaway carnival performer (Patricia Arquette) who is forced to take refuge in a community of traditionalist Hutterites after her attempt to rip off her boss goes wrong. Through a bizarre chain of events, she soon finds herself married to a wholly naive 12-year-old boy (Joseph Gordon-Levitt).

The film's plot is so fraught with opportunities for bad taste and offence that it is a wonder John Waters or Almodovar are not directing. But no, the director is in fact Leonard Nimoy, who has created a bland, shallow film that consistently skirts the sexual and religious mine fields inherent in the story. This sappy hymn to family valnes should offend nobody – except people who like good cinema.

But not to fear – there's something to offend just about everyone in Russ Meyer's *Faster Pussycat! Kill! Kill!*, rereleased 30 years after its debut as part of a Meyers retrospective at the NFT. Made on a bra-string budget in the California desert, the story involves three murderous go-go dancers who take refuge on a desolate farm inhabited by an old pervert and his two sons, Kirk and The Vegetable. Although the plot is risible and the acting Cro-Magnon, the film is brilliantly shot, throbbing with raw energy and skewed humor. It is interesting to note how the critical pendulum has recently swung toward Meyer, whose films were dismissed just a few years ago as soft-porn pulp. God help us, but his vision of big-busted dominatrixes, nasty sex and pathetic white males seems supremely contemporary.

Brilliantly embracing every prison cliché: Tim Robbins and Morgan Freeman in 'The Shawshank Redemption'

Ballet

Giselle

Giselle is back in the Royal Ballet repertory for the next few weeks. The staging is Sir Peter Wright's sensible and well-managed version. The action is unfussed, albeit somewhat over-wooded in John Macfarlane's designs, which suggest the local presence of a logging camp rather than vineyards. There is, happily, none of that determined mummery from a cast eager to let us know that they know all-too-exactly why they are there on stage. The villagers are slightly frisky, as is the way with stage peasantry, but under control.

However, like the other 19th century balletic survivals, *Giselle* lives or dies on its central image of a ballerina in full cry. Nothing else will really do, though on Tuesday Irek Mukhamedov showed (yet again) that a great dansenr can give focus to the piece. The Giselle of the evening wns Viviana Durante, neat, dntiful, and oddly remote from the spiritual and technical possibilities of the part – it was as if she viewed the ballet as a museum exhibit.

The sublime Giselles in my time – Markova, Ulanova, Chauvire, Schanne, Vyruhova, Makarova, Semenyaka – have lived the tragedy in many and varied ways, from Markova's exquisite lightness and Makarova's spiritnality, to Schanne's romantic intensity and Semenyaka's phrasing both acts as ecstatic arcs. Each has understood that she is the justification for the performance. Durante underplays this ballerina-potential, notably in the second act. Away with politeness: she should dare to claim *Giselle* as her own.

Mukhamedov comes to the role of Albrecht as if destined for it. His art is so communicative, so intelligent, that from his entrance we know the young nobleman's ardour, and with his first look at Giselle, understand an infatuation which will fire the tragedy. He loves Giselle, and no gesture, no movement is meaningless in showing this, even his agonies of remorse during the mad-scene.

Every action speaks of the Romanticism of the 1840s grandly re-considered for our time. Mukhamedov's pose at curtain-fall, arm raised, holding Giselle's parting gift of a flower, is worth the price of your ticket – here is the heart of the ballet's meaning, a Delacroix hero, a thrilling icon of the theatre. (Ironically, the original libretto brought Albrecht's fiancée into the forest at this moment, to lead him back to the real world. Later recensions have made romanticism less practical, less bourgeois).

Mukhamedov's dancing is beautifully shaped, musical. He is, though, bulkier than heretofore, and his costumes are unbecoming. (The decorative panels on the back make him look round-shouldered and short-necked, which is not the case). An essential complement to his reading is the presence of Stephen Jefferies as Hilarion. Jefferies is a dance-actor of the same stature as Mukhamedov, and the first act gains much from the tensions they generate.

For the rest, the company danced well, though the Courland hunting-party should abandon false beards and moustaches forthwith – we know who they are. Genesia Rosato's Bathilde had a slightly hysterical air, as if she guessed that Something Is Up in the woods. Benazir Hussain's Myrtha was vehement, coarse-grained. Nicola Robert's in the first act sextet produced dancing of the prettiest kind, sweetly nnanced. Sandra Conley as Giselle's mother was touching, and she phrased her narration of the wili legend admirably well.

Clement Crisp

Theatre/Sarah Hemming

A swashbuckling 'Zorro'

It is only three weeks since Ken Hill died as he was rehearsing his new musical for its first night at Stratford East – but it seems entirely appropriate that the show should go on. *Zorro – The Musical!* bubbles over with Hill's love of tha possibilities of theatre, his highly developed sense of the ludicrous and his refreshing sense of fun.

From the moment the show opens with an all-singing and swinging fencing class, you realise you are in the hands of someone who loved to see music, lights and action. Hill whisks you back to the world of Saturday morning cinema with the swashbuckling tala of Zorro, the 19th century revolutionary hero and symbol of liberty, whose style and ethics slot in somewhere between Superman and Robin Hood.

Zorro here is really José, a gypsy deported from Madrid for killing a man in a duel. After some skullduggery on the high seas, he fetches up in Los Angeles, a colony of the Spanish empire seething with discontent and intrigue. The governor is plotting, the peons are revolting – José spots his opportunity, swathes himself in a black cloak and rides in as Zorro to lead the popular front.

Romance and adventure, left and right, goodies and baddies, what more could you want? Hill tells the tale in a delightful, self-parodying style peppered with pastiche – a pinch of *Carmen* here, a touch of *Don Giovanni* there – and revelling in theatrical and cinematic clichés. The spirit of the show is somewhere between *Monty Python* and Gilbert and Sullivan, but though it is all done tongue-in-cheek, it has just enough seriousness to retain the faint echoes of the great Spanish epics.

The production, co-directed hy Hill and Peter Rankin, treads this tricky path beautifully, revelling in the parody without sending the story up so much that it becomes meaningless, and the cast have great energy and charm. There are some excellent fights, some hummable tunes, a nice bit of smouldering flamenco and plenty of ridiculous gags and sparky one-liners.

The svelte, moustachioed Bogdan Kominowski pitches his performance nicely as Zorro – sufficiently dashing but with an occasional touch of John Cleese; there is a likeable performance too from Sylvester McCoy as his Sancho Panza-style sidekick, a mournful little clown of a man; while Michael N. Harbour has a rich voice and splendidly murderous style as the scar-faced pirate, Laffite, who has sold his soul to the devil.

Unlike José, who quits while he is at the top, the show does not quite know when to stop. Two hours is quite enough swashbuckling and this show runs to nearly three. Some pruning would certainly not go amiss. But it has an irresistible air of mischief: just as the spirit of Zorro rides again at the end, one cannot help feeling that, in this amiable, daft and supremely theatrical show, the spirit of Ken Hill also lives on.

Continues at the Theatre Royal, Stratford East (081 534 0310).

Opera/Richard Fairman

Sorochintsy Fair

While the major opera companies keep hold of the masterpieces, students can do very well picking up the rest. Alongside his two main operas Musorgsky left a selection of other operatic odds and ends, mostly works left in various unfinished states when a fondness for the bottle carried him off prematurely at the age of 42.

Despite financial inducement to finish it off, *Sorochintsy Fair* was one of those scores left with blank pages at the end. For once, Rimsky-Korsakov did not choose to fill them on Musorgsky's behalf. It was not until 1912 that the existing music was arranged and orchestrated by Lyadov, then completed first by Cui, then by Tcherepnin and most recently by Shebalin. The history of a score by Musorgsky is invariably more complex than the opera itself.

The Royal Schools of Music used Tcherepnin's version for their production, although that leaves a lot unclear to all bnt a Musorgsky expert. (Looking over the original score, Rimsky-Korsakov noted that only the middle act was suitable for stage performance, which suggests that Tcherepnin undertook some fairly wholesale composition of his own to produce a fully stageable evening's entertainment.)

What the Royal Schools produced was a lively and confident show. Musorgsky's basic folk-tale, telling how the devil was forced to pawn his red coat, could have done for any number of Russian operas. Rimsky-Korsakov would doubtless have made it a romantic fairy-tale imbued with pantheism; whereas Musorgsky, equally true to type, turns his attention on a drink-sodden husband and his adulterous wife, who manage to get tangled up in the story.

The London Royal Schools' vocal faculty producer was Keith Warner, who decided to underline this strain of social realism. In his version the daughter was in therapy, disturbed hy her dysfunctional family (an excessive gloss on a straightforward story). It was a good idea, however, to separate the drudgery of her real life in 1950s Russia from the brilliantly colourful alternative world that she reads of in her fairy-tales – stylishly designed by Marie-Jeanne Lecca.

The combined schools of the Royal Academy and the Royal College of Music produced enough good students to go round. The Icelandic baritone Tómas Tómasson sang with impressive ease in the role of the drunken father. Louise Mott was the wife who hounded him with her rolling-pin and Henry Moss her lover; both handled the production's hroad comedy with spirit. Fiona MacDonald sounded strained as the daughter who eventually finds happiness with the tenor, skilfully sung by Aled Hall.

With Gennady Rozhdestvensky leading the Royal College of Music Opera Orchestra, there was Russian musical expertise on hand. Musorgsky himself was rather a rough talent and the strangely imbalanced *Sorochintsy Fair* typical of his unpolished output. There is little to interest major companies here, so the Royal Schools' students have done us a favour.

INTERNATIONAL ARTS GUIDE

■ AMSTERDAM

CONCERTS
Het Concertgebouw Tel: (020) 671 8345
● Royal Concertgebouw Orchestra: with soprano Sylvia McNair. André Previn conducts Debussy, Roussel and Ravel; 8.15 pm; Feb 22, 23
● Royal Concertgebouw Orchestra: with soprano Barbara Hendricks. André Previn conducts Harbison, Previn, Barber and Copland; 8.15 pm; Feb 18, 19 (2.15 pm)
OPERA/BALLET
Het Muziektheater Tel: (020) 551 8922
● Mazeppa: by Tchaikovsky. A Netherlands Opera production conducted by Harmut Haenchen and directed by Richard Jones.; 7.30 pm; Feb 21

■ BERLIN

OPERA/BALLET
Deutsche Oper Tel: (030) 341 9249
● Das Rheingold: by Wagner. Conductor Horst Stein, production by Götz Friedrich; 7.30 pm; Feb 18, 19
● Die Meistersinger von Nürnberg: by Wagner. Conducted by Rafael Frühbeck da Burgos, production by Götz Friedrich; 5 pm; Feb 19, 23
● Ein Maskenball: by Verdi. Conducted by Rafael Frühbeck de Burgos/Sebastian Lang-Lessing, produced by Götz Friedrich; 7.30 pm; Feb 16
● Faust: by Gounod. Conducted by Lawrence Foster/Heinrich Hollreiser/ Jiři Kout, production by Jean-Pierre Ponnelle; 7 pm; Feb 17
● Oedipus: by Rihm. conducted by Peter Keuschnig, produced by Götz Friedrich; 7 pm; Feb 21 (7.30 pm)

■ LONDON

CONCERTS
Barbican Tel: (0171) 638 8891
● Tippett: Visions of Paradise: Sir Colin Davis conducts the London Sinfonietta with pianist Stephen Kovacevich and soprano Faye Robinson to play Beethoven and Tippett's, 'Symphony Nn 3'; 7.30 pm; Feb 17
● Sorry I Forgot Valentine's Day: If you missed Valentines day, Paul Wynne Griffiths conducts the London Concert Orchestra and pianist Sarah Beth Briggs to play another evening of romantic classics; 7.30 pm; Feb 18
● Tippett: Visions of Paradise: Sir Colin Davis conducts the London Symphony Orchestra in a programme that includes a world premiere of Tippett's, 'The Rose Lake'; 7.30 pm; Feb 19
● Tippett: Visions of Paradise: Sir Colin Davis conducts the London Symphony Orchestra and violinsit Midori to play Stravinsky, Sibelius and Tippett's Symphony No. 4'; 7.30 pm; Feb 23
Festival Hall Tel: (0171) 928 8800
● Novosibirsk Philharmonic Orchestra: with pianist Paul Crossley and bassist Anatoli Safiulin. Arnold Katz conducts Prokofiev, Shostakovich and Rachmaninov; 7.30 pm; Feb 20
● The London Philharmonic: Zubin Metha conducts Schubert, Berg and Elgar; 7.30 pm; Feb 23
GALLERIES
Tate Tel: (0171) 887 8000
● Willem de Kooning: a major exhibition featuring over 70 paintings drawn from private and public collections worldwide; from Feb 16 to May 7
OPERA/BALLET
English National Opera Tel: (0171) 632 8300
● King Priam: a new production of Tippett's opera that opens the London festival - Tippett: Visions of Paradise, to celebrate the composer's 90th birthday; 7.30 pm; Feb 17
● Madama Butterfly: Puccini's opera, originally directed by Graham Vick; 7.30 pm; Feb 16, 22
● Rigoletto: Jonathan Miller's updated version of Verdi's opera where the duke is a Mafia boss; 7.30 pm; Feb 18, 23
Royal Opera House Tel: (0171) 340 4000
● Der Rosenkavalier: by Strauss. Conducted by Andrew Davis, directed by John Schlesinger. Soloists include Felicity Lott/Anna Tomowa-Sintow as Prinzess von Werdenberg; 6.30 pm; Feb 20
● La Bohème: by Puccini. Conducted by Simone Young/ Paul Wynne Griffiths, directed by John Copley. Soloists include Angela Gheorghiu/ Amanda Thane as Mimi and Maria McLaughlin/ Judith Howarth us Musetta; 7.30 pm; Feb 16, 21, 23
● The Prince of the Pagodas: by Britten. A Royal Ballet production choreographed by Kenneth MacMillan opens a Benjamin Britten 'mini festival' at the Royal Opera; 7.30 pm; Feb 17, 22
THEATRE
National, Olivier Tel: (0171) 928 2252
● The Merry Wives of Windsor: by Shakespeare. Terry Hands directs his first production at the National. With Denis Quilley as Falstaff, Brenda Bruce as Mistress Quickly and Geraldine Fitzgerald as Mistress Ford; 7.15 pm; Feb 16, 17, 18 (2 pm), 20
Royal Court Tel: (0171) 730 1745/ 2554
● The Libertine: by Stephen Jeffreys, directed by Max Stafford-Clark. Comedy based on the works of the 2nd Earl of Rochester; 7.30 pm; to Feb 18

■ NEW YORK

GALLERIES
Guggenheim Tel: (212) 423 3652
● Ross Bleckner: mid-career retrospective of the American artist consisting of approximately 75 paintings and works on paper; from Feb 17 to May 14
OPERA/BALLET
Metropolitan Tel: (212) 362 6000
● Cavalleria Rusticana / Pagliacci: by Mascagni/Leoncavallo. Production by Franco Zefirelli, conductor Christian Badea; 8 pm; Feb 18
● Il Barbiere di Siviglia: by Rossini. Produced by John Cox, conducted by David Atherton; 8 pm; Feb 18 (1.30 pm)
● La Traviata: by Verdi. Produced by Franco Zeffirelli, conducted by John Fiore; 8 pm; Feb 17, 22
● Simon Boccanegra: by Verdi. A new production directed by Giancarlo del Monaco.; 8 pm; Feb 21
● Turandot: by Puccini. Produced by Franco Zeffirelli, conducted by Nello Santi; 8 pm; Feb 18, 20, 23

■ PARIS

CONCERTS
Opéra National de Paris, Bastille Tel: (1) 47 42 57 50
● Myung-Whun Chung: conducts the orchestra and choir of the Paris National Opera to play Beethoven; 8 pm; Feb 21
GALLERIES
Galerie Schmit Tel: (1) 42 60 36 36
● From Delacroix to Matisse: exhibition including the works of Delacroix, Matisse, Picasso and Degas; to Apr 13
Georges-Pompidou Tel: (1) 42 77 12 33
● Kurt Schwitters: exhibition of works by the German Dadaist; to Feb 20
Musée Cernuschi Tel: (1) 45 63 50 75
● Japan, Tastes and Tranquility: The Japanese Tea Ceremony: the historical and philosophical development of the Japanese ceremony; to May 14 (Not Sun)
OPERA/BALLET
Châtelet Tel: (1) 40 28 28 40
● King Arthur: music by Purcell. A William Christie and Graham Vick production; to Feb 19
Opéra Comique Tel: (1) 42 96 12 20
● Lakmé: by Delibes. Conducted by Frédéric Chaslin and produced by Gilbert Blin; 7.30 pm; to Feb 18
Opéra National de Paris, Bastille Tel: (1) 47 42 57 50
● La Damnation da Faust: by Berlioz. Conducted by Myung-Whun Chung and produced by Luca Ronconi. Soloists include Béatrice Uria-Monzon as Marguerite, and Thomas Moser/Gary Lakes as Faust; 7.30 pm; Feb 18, 20, 23
● Lucia di Lammermoor: by Donizetti. A new production by Andrei Serban. Maurizio Benini and Roberto Abbado (from April) conduct the orchestra and chorus of the Paris National Opera; 7.30 pm; Feb 17

■ WASHINGTON

CONCERTS
Kennedy Center Tel: (202) 467 4600
● Choral Arts Society of Washington: Norman Scribner conducts Menotti and Williams' 'Dona Nobis Pacem'; 8.30 pm; Feb 19
● Royal Philharmonic Orchestra: Conductor Yuri Temirkanov with pianist Eliso Virsaladze plays Britten, Prokofiev and Stravinsky; 3 pm; Feb 19
OPERA/BALLET
Washington Opera Tel: (202) 416 7800
● Vanessa: by Samuel Barber. Director Michael Kahn, conductor Christopher Keene; 8 pm; Feb 18, 19 (2 pm)
THEATRE
Folger Theater Tel: (202) 544 7077
● Private Lives: by Noel Coward. A Folger Shakespeare Library and Interact Theatre Company production. Pat Carroll directs this comedy of merry mixups; 7.30 pm; from Feb 18 to Mar 12 (Not Mon)

WORLD SERVICE

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17.30
Financial Times Business Tonight

Midnight
Financial Times Business Tonight

Russia's real missed opportunity

BOOK REVIEW

THE LOST OPPORTUNITY: Why Economic Reforms In Russin Have Not Worked
By Marshall Goldman
Norton. 304 pages, $22.50 (£16.95)

Mr Strobe Talhott, the deputy US secretary of state, coined a catchy phrase about Russia when he concluded that the country needed "less shock and more therapy". But while Mr Talbott's one-liner demonsirated an aptitude for his first career as a journalist, it also revealed a grave lack of judgment in a man who is the second most senior US foreign policymaker.

Mr Talbott's apborism bas become the *cri de guerre* of a school of analysts who argue that the problem with Russian economic reforms is they have been too radical. In this book, Marshall Goldman, professor of economics et Wellesley College in the US, adds his voice to this cborus.

But, like Mr Talbott's, Goldman's conclusion is back to front. Russia's ecooomic transformation bas faltered not because market reforma launched in 1992 were too radical, hut because they were not radical enough.

Goldman writes: "[President Boris] Yeltsin and [Yegor] Gaidar, [architect of the reforms,] and their associates and western advisers can and should be faulted for concentreting so much on monetary, fiscal and price reforms." But tbe real root of Russia's current discontent is that Moscow's attempt in January 1992 to duplicate the "big bang" package of monetary, fiscal and price reforms pioneered in Poland was not sustained, and remains incomplete.

As Mr Gaidar now acknowledges, *a critical mistake was* the exclusion of energy from the price liberalisation in January 1992. Artificially low energy prices have continued to distort the Russian economy and perpetuate wasteful fuel consumption.

A second, more significant failure wes the Kremlin's inability to resist presaure from the agricultural and industrial lobbles to ease the fiscal squeeze on inefficient producers. Instead, Moscow neutralised its own reforms hy turning on the monetary taps and sending a stream of government credits to factories and farms. It was this retreat from shock therapy – rather than the reform programme itself – which pushed Russla into the spiral of high inflation and declining production that a new government team is struggling to remedy today.

Goldman's contention that Russian reformers should have "done more to stress privatisation" is equally perverse, though more novel. Even the most critical observers of Russia's uneven economic reforms – including domestic communist and nationalist politicians who argue that the inheritance has been ceded to the CIA and mafia – concede Russia's mass privatisation programme is the most ambitious and successful transfer of assets ever attempted.

Goldman is on firmer ground when he points to the pernicious effects of Russia's feilure to liberalise Its economy and inadequate reforms in agriculture.

The absence of liberalisation was one of the defects that robbed Russia's shock therapy package of its impact. He is right to emphasise that the creation of an effective market is at least as dependent upon allowing new businesses free entry into the economy – something Russia has failed to do – as it is upon privatising the *inefficient* giants of the state sector. Goldman points out that Hungary, Poland and China have more vibrant private sectors than Russia, despite their relatively slow transfer of the former state sector into private hands.

Goldman also observes that, in contrast to Hungary and China, where market reforms began on the farms, or Poland, where agriculture was never privatised, Russian reforms continue to he hobbled by Moscow's failure to restructure agriculture.

Yet, despite these two helpful observations, Goldman's argument suffers from an analytical weakness common to mucb of the debate about Russian economic reforms. He frames his assessment of Russian reforms as a debate between gradualism and radicalism, losing sight of the vested *economic interests* that play a far bigger role in shaping Russia's economic future.

Kremlin politics, unlike US university classrooms, has never been about intellectual debates over the technical merits of various economic policies. As Russia makes a historic lurch from communism into something else, the struggle is, rather, between rival political and economic lobbies. Each is battling to ensure that, as the government comes up with a new way to slice Russia's economic ple, It is served the biggest piece.

Russian liberals had boped that, by transforming communist apparatchiks into owners of the assets they had previously managed, they would create e strong power base for market reforms. They were half right: the new comrade capitalists are prepared to fight to the death to protect their new wealth. But Russia's wealthy new *nomenklatura* is, quite understandably, just as interested in preserving those inefficient government regulations from which it benefits as *it was before*.

The best example is the oil and gas lohby, which is emerging as a quiet enemy of economic stabilisation, e policy that would appear to be in its best interests. The chieftains of the energy sector have realised that the price of a redneed budget deficit is an end to the tax breaks whicb have *made* the oil and gas barons Russia's richest men, and that is a price they are unwilling to pay.

Sadly, Russia has already missed its best chance to rein in tbese vested interests. It could have done so by implementing a real shock therapy programme – including liberalisation of energy prices and allowing new businesses free entry into the market – before turning most *state* assets over into the private ownership of the *nomenklatura*. That is Russia's real lost opportunity.

Chrystia Freeland

ECONOMIC VIEWPOINT

Redistribution, Yes 'equality', No

By Samuel Brittan

The Rowntree Foundation study of income and wealth* is a missed opportunity. For the distribution of income and wealth is *surely important*.

It is even more important to know whether the least well-off are improving their lot or falling behind – not in relation to a few envied rich but in their ability in ebsolute terms to maintain and improva their standard of living.

Unfortunately nearly all the Rowntree data come from snapshots *of* particular years. Students of the subject have long been eware *that* sncb snapshots are highly misleading. Even wben it comes to something relatively simple, such as manual workers' pre-tax pay, those who have been near the bottom of the income distribntion in one year are often near the middle or even the top half in a later period.

More fundamentally, lifetime income varies. Many people have relatively low earnings in the early and later parts of their careers and quite rationally try to earn most in their middle years when family *responsibilities* are highest.

The authors are very well aware of this complication but consign it to the three last paragraphs *of* the second, more technical, volume. Here they refer to a model which suggests that the poorest 10th have *annual* incomes which are just more than a fifth of the everage but amount to more than half the everage on a *lifetime* basis. Even the so-called "degree of inequality" is redneed on a lifetime basis by between e third and a half. Because of the lack of lifetime *estimates, Rowntree has been* reduced to presenting in agit-prop fashion data which have long been available in government publications and which I have used myself in inquests on "Thatcherism".

That said, it remains disturbing that official surveys show the poorest 10th of the population are *worse off compared* with 1979, and the second lowest 10th no better off. There are straws in the wind to suggest that not all tbe apparent absence *of* "trickle down" can be explained eway hy life cycle or temporary variations. For instance nearly one half of those drawing means-tested benefits *in 1993* had been claiming for more than two years. More impressive still is *common sense observation*. It is not good enongh for the Department of Social Security to say the survey results apply only to income before housing costs. The deduction of accommodation was introduced by *the DSS itself to allow for* the fact that, in a distorted bousing market, income net of bousing costs gives a better idea of living standards. It is therefore used by the DSS for means-tested benefits.

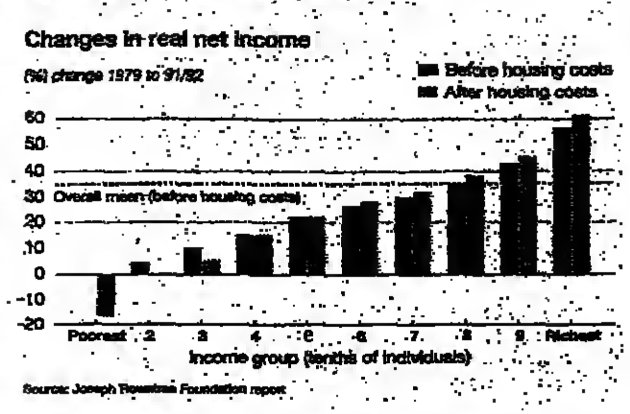
In chapter three of Rowntree we are told that the central concern of the report is with *the "20 to 30 per cent who have* failed to benefit from economic growth". If we overlook the unfounded dogmatism of tbe assertion and dubious size of the percentage, there is a grave problem here which could have been investigated *better* without the preoccupation with equality and without the many tendentious statements which occur throughout.

The causes of current poverty summarised by Rowntree are by now quite *familiar*: polarisation between earner and no-earner families; an increase in benefit-dependent families, such as the unemployed and single parents; and the growing dispersion of incomes from work. The last is an international trend, which has been delayed in countries *that have* opted *for pricing* out of work instead. There is the usual emphasis on education and training as remedies. But in the small print, research is cited showing that only about a third to a half of the growing pay dispersion can be explained in terms of education and training. We are taken *no further forward* in explaining the remainder.

Other remedies listed are a rag-bag of the good, bad and indifferent. The authors seem to have thrown in whatever occurred to members of the committee so long as it pointed to more government spending and was not too market *friendly*. They *did not take* the opportunity to go beyond Labour's so-called Social Justice *Commission (of which* Rowntree is largely a *rewrite)* by presenting costed options or even an order of priorities.

* * *

Growing UK income dispersal



Source: Joseph Rowntree Foundation report

The shortcomings of Rowntree arise largely because of its preoccupation with the chimera of equality – a state of affairs obtainable in the grave, if there. The postwar leader of the Lahour left, Aneurin Bevan, *did not* hold up equality between individuals or bonseholds as an ideal. Instead, he asked in his testament, *In Place Of Fear*: where does power lie in this country and how can it he won by the *working class?* A perfectly reasonable question when he embarked on his career.

On the other hand there is a preoccupation with "inequality" among some social scientists and civil servants. Whan the prime minister said Yes to Tony Blair's question ebout whether it was the government'a *responsibility* to reduce inequality, this was no mere slip of the tongue. For he reasserted it in a longer and more detailed reply. What he meant, of course, was that he was passionately, and rightly, concerned about the life chances of the least fortunate. But those who briefed him lacked any language in which to *express this concern* other than that implying equality should be a goal.

Inquiries of the Rowntree kind are highly dependent on their technical staff. In *this case, the staff* was led hy John Hills, whose work I have respected in the past hut who carried out this study largely in terms of the "degree of inequality", as if that were both an umambiguous concept and clearly something to be deplored. The headline on the press release, which set the *tone for most of the media coverage*, was "Widening inequality denies millions a stake in future prosperity". The first two of the points summarised in the release ere about *inequality* and the same applies in the glossy popular summary.

Unfortunately, many of the supposed defenders of market capitalism, such as Howard Davies of the CBI, are too fond of playing to the *extant* left-of-centre establishment to make a real stand. Their constant harping on the threat from a growing number with no stake in future prosperity is, if it means *anything*, a hint about riots and violent crime. They would do better to appeal to *compassion* and fellow feeling, which would remain valid even if the threats do not occur.

The chimera of equality

INCOME OF INDIVIDUAL	FIRST DISTRIBUTION	SECOND DISTRIBUTION
Alan	28	21
Ben	12	21
Charles	11	9
Mean income	17	17
Average dispersion from mean (degree of inequality)	7⅓	5⅓

Source: S. Brittan, A Restatement of Economic Liberalism, Macmillan, 1988

* * *

The absurdity of the equality goal emerges *from* my table. This shows two hypothetical distributions of an identical total income between three individuals. Inequality is measured in the most basic way by the average dispersion from the mean. The first distribution is very "unequal". The fortunate Alan has well over *twice as much as* both Ben and Charles. In the second distribution, the degree of "inequality" appears to have diminished. The rich Alan has been reduced to much nearer the mean and the scatter is much less. *Unfortunately*, bowever, the poorest of the individuals, Charles, is now two points lower. And this is without taking any account of incentive effects, and assuming that the *size of* the cake is unchanged. Yet anyone concerned with *the* least well off, Charles, will prefer the more "unequal" distribution in the first column.

The Rowntree study uses e more aophisticated statistical measure of inequality known as the Gini coefficient. But any one measure is inherently ambiguous. A country can have the same statistical degree of inequality beceuse the poorest are far below *everage or because there are high* prizes for those et the top. Indeed postwar Germany emerged from *one* study with the same "degree of inequality" as India, and Scandinavia with more inequality than Puerto Rico or Italy. Any humanitarian should be worried hy "inequality" which reflects *the* hardships at the bottom. Only a practitioner of the politics of envy (and there *are many of these*) shonld be worried by "inequality" which reflects high prizes at the top.

**Rowntree Foundntion, 40 Water End, York Y03 6LP, £9*

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

We are keen to encourage letters from readers around the world. Letters may be faxed to +44 171-873 5938 (please set fax to 'fine'). Transladoo may be available for letters written in the main international languages.

Commission objective is to limit regulation

From Mr Stefano Micossi.

Sir, Mr Melville-Ross, director general of the Institute of Directors, expresses concern (Letters, February 14) abont the "inappropriate and unacceptable European legislative process" and the "growing consensus among business ... that excessive legislation has been at the *root of the Community's* vast unemployment". In his desire for less regulation, and better access to the internal market, he is opposed to "further extending the legal competencies of the EU".

But from whom is this undesirable regulation coming? Not from the Commission, which in 1994 *proposed 13 measures* concerning industrial prodncts. These measures, whose adoptioo will require the approval of both the European parliament and the Council of Ministers, are based on ensuring access to the internal market, limiting regulation to the essential *matters* of public concern (such as safety of users and consumers), and leaving to industry the responsibility for choosing the technical solutions they want to use.

Perhaps the director general should address his attention to the member states which, in 1994, brought forward no less than 442 proposals for regulations affecting prodncts. The British government, with its well-known viewa on regulation, provided its full share of these, with 82 proposals.

My directorate general took steps to prevent this proliferation of national regulations from becoming obstacles to the internal market. We sought changes in 325 cases to make *them less onerous, reminding* member states of their obligations in this regard.

If he is to represent well the "entire spectrum of UK husiness", the director general should consider who his real friends are.

Stefano Micossi,
director general,
European Commission
Directorate-General III
Industry,
Rue de la Loi 200,
B-1049 Brussels, Belgium

Too much rhetoric over culture

From W Ming Shao.

Sir, France's persistent calls for the protection of European culture ("Brussels in new fight *to protect European culture*", February 9) are long on rhetoric and short on reason.

It is no coincidence that Mrs Edith Cresson, the French European Union commissioner, and other cultural protectionists do not define what culture they seek to protect. European culture cannot be defined in a meaningful enough way to serve as a rational basis for trade policy. For example, can it reasonably be said that the UK or Germany *is* culturally more similar to Greece than to the US? Indeed, a common *European culture*, were it to exist, would presumably favour European producers of so-called "cultural goods" over American producers. As the Commission itself has reported, however, EU consumption patterns do not bear this out.

Even if a distinctive European culture could be identified, it hardly follows that Brussels ought to have a say in what films or software Europeans view or use. Cultural cross-pollination (spread of democratic ideas, for example) *has long* played a *key* role in world development. Allowing governments to restrict what people watch on television or listen to on the radio is not far in principle from the 16th century government practice of controlling printing presses – *or* even censorship.

W Ming Shao,
Burgmüllerstr 46,
40235 Düsseldorf,
Germany

Goodwill advantage for the UK buyer

From Mr Klaus Diederichs.

Sir, When it comes to the issue of goodwill (Lex: "Goodwill accounting", February 13), "flawed" and "nonsensical" are *difficult words* to *write* off. Your ensuing coverage ("Goodwill e contentious issue", February 14) continues to underestimate the *real* restraints for US buyers.

While the accounting treatment of goodwill *has* no direct bearing on the economics of a transaction, it does have a very significant effect on the acquirer's post-acquisition earnings per share, with potentially dramatic economic consequences for its shareholders.

Because management's mandate to govern is ultimately dependent on its ability to add shareholder value, the arena of mergers and acquisitions is where this mandate is placed *under its* most intense scrutiny. Conseqnently, the EPS impact of a transaction is critical and something on which pragmatic equity markets will focus.

In essence, pure economic *analysis based on cash flows is* superseded by market reality, and the advantage for UK buyers over US buyers is very real. As you intimate, an interesting and subsequent debate is the role of accounting methodology as a determinant of corporate strategy which would encompass the pitfalls of EPS as a measure of shareholder value. We would strongly endorse any discussion that might align shareholders closer to the true underlying economic consequences of strategic decisions.

The tax-deductibility *of* goodwill in the US is e complex issne. However, your articles are misleading as the potential net tax benefits to a *US* acquirer are not immediately transperent.

Klaus Diederichs,
managing director,
Morgan Guaranty Trust
Company of New York,
60 Victoria Embankment,
London EC4Y 0JP, UK

Mexican bailout may frighten off private lenders

From Mr David Lubin.

Sir, You may be mistaken to argue ("Mexico's rescue", February 8) that private sector lenders will in *the future* recklessly extend credit to Mexico because they feel safe in the knowledge that they will be bailed out by the US in case of another crisis. Instead, the reverse may be more true.

If, as expected, the $50bn "Clinton package" is disbursed in order to finance a capital outflow from Mexico during the course of this year, the composition of Mexico's external debt will have changed visibly, and official creditors (the US, International Monetary Fund, Bank for International Settlements and others) will hold a much greater fraction of Mexico's obligations. Once that happens, some private lenders may prefer to avoid Mexico, since in any *future crisis* they would have to compete with official creditors for Mexican debt service. As official creditors will have seniority by virtue *of* being lenders of last resort, private creditors might feel that their claims would be *automatically subordinated*.

For this reason, Mexico may now face a considerable extra burden to convince future private lenders that its economic policies will not lead it into another mess.

David Lubin,
Flat 5,
75 Randolph Avenue,
London W9 1DW, UK

No Millwall fans invaded field during attack

From Mr R.L Burr.

Sir, In your article "Spotlight back on ruffians" (February 11/12) yon refer to "Chelsea and Millwall fans invading the field *to fight each other and attack* players".

As all the press coverage clearly shows, police intervention was only required to attempt to prevent the Chelsea fans from attacking the Millwall fans and players. Two Millwall players were in fact assaulted. No Millwall fans invaded the field et that time.

R.L Burr,
chairman,
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FINANCIAL TIMES

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Thursday February 16 1995

Fears over sterling

Sterling in crisis: there is a headline to quicken the pulses of people with long memories. Unfortunately for panic mongers, this is no crisis. There is, in any case, little option for policymakers but to soldier on in the direction they have set for themselves.

Since the end of January, the Bank of England's trade-weighted exchange has depreciated 1.9 per cent, while the rate against the D-Mark has fallen 1.8 per cent. More important, both rates are comfortably within bounds set by experience since sterling's expulsion from the ERM on September 16 1992. The lowest point since then was 83.9 on the trade-weighted index, as against 87 yesterday, and DM2.33, as against DM2.36 yesterday, both low points having been reached on February 24 1993. Only the hysterical would worry about currency fluctuations of this size. Markets are indeed in a mood to sell sterling. But why should that be surprising? Given the visibility of inflationary pressures and the political dyspepsia, it would ba remarkable if they were not.

A fundamental qnestion is whether a much larger depreciation than the one that has occurred in recent days might undermine the economy's ability to sustain non-inflationary growth. The answer is that it could do so. A dilemma would then emsrge, because the economy is like a bath with hot water at one end and cold at the other. Cooling the hot end might make the colder one feel freezing.

The advantages of export-led growth are many. The reduction in the external deficit should, in time, lower the vulnerability of sterling; manufacturing output was up 5 per cent over the year to November, which has helped bring about a more regionally balanced pattern of unemployment: in January seven of the 10 regions of Great Britain had rates of unemployment between 8 and 9 per cent; employment in manufacturing even rose 37,000, on a seasonally adjusted basis, between September and December.

Unfortunately, the expansion of manufacturing *is* pushing against capacity constraints. Underlying earnings in manufacturing are rising at 5 per cent, as against 3 per cent in services; prices of manufacturing output were up 0.9 per cent in January and 3.4 per cent over the year; manufacturers are under pressure (and in a better position) to pass on increases in the prices of their inputs, which were up 11.5 per cent over the year to January; and unit labour costs in manufacturing have ceased to fall.

Any significant devaluation would add price and demand pressures to industries that have quite enough of both already. Investment must first pick up, something of which there is at present little sign. At the same time, there is no overheating elsewhere. Construction orders fell more than a fifth during the last quarter of 1994. Retail sales in January were only 0.2 per cent up on a year before. There was no increase in the retail price index, excluding mortgage interest, between December and January, even though it was up 2.8 per cent over the previous 12 months.

Since the effects of the recent interest rate increases and of the extra taxes due in April are still to be felt, the best advice is to do nothing. No policy is certain to strengthen the exchange rate, in any case. Policymakers must continue to concentrate on the prospects for inflation, which have not decisively worsened, and hope that those who are benefiting from export-led growth will at last dare to invest in it.

Peace in Angola

Two years after the collapse of its last ceasefire, Angola has a second chance. The peace agreement signed by the warring parties in Lusaka last November has held, and the UN is again prepared to monitor its implementation. After 20 years of civil war, Angola is within reach of a lasting settlement and – concsivably – southern Africa in sight of stability for the first time in three decades. Provided, that is, both the Angolan government and the opposition Unita movement demonstrate their commitment to peace, and the countries of the region play a more substantial role than in 1992.

Funding the monitoring force, and finding the participants, will be the first hurdle. The UN has many demands on its resources, and the track record in Angola does not inspire confidence. This attempt, however, has a greater chance of success, partly because lessons have been learnt from the past. The UN Security Council's agreement last week on a phased dispatch of a 7,000-strong monitoring force is an implicit acknowledgement of its shared responsibility for the failure in 1992. The UN contingent of 700 was woefully inadequate for the task.

The Security Council has also made clear it will take a tougher line on infringements of the agreement. Last time, the UN failed to insist on the complete disarming of rival armies and creation of an integrated national force before elections were held. Council members make clear that, should the parties renege on the current peace deal, the UN would withdraw. The Lusaka agreement itself gives further grounds for optimism, since it provides a place in the government and armed forces for Mr Jonas Savimbi's Unita.

There is also a new element in the equation: South Africa itself has become a democracy. The group of southern African countries which formed an alliance against apartheid have been joined by their former adversary. They are playing a new role in the region, and – with armed forces totalling more than 100,000 – they could form one of the largest contingents in the UN force.

Angola's rival parties could demonstrate their commitment to peace by helping to pay for it. If the proceeds of more than 400,000 barrels of oil a day and rich diamond fields are turned from war to reconstruction, the peace dividend will be enormous. The government and Unita should be prepared to spend part of this dividend on the monitoring force which is essential to its delivery.

If those who have so much at stake in the outcome are prepared to make tangible contributions to the peace process, support from the rest of the world is likely to be more forthcoming.

USM to Aim

The London Stock Exchange's enthusiasm for its own Unlisted Securities Market (USM) never appeared to be more than lukewarm. In launching its successor, the Alternative Investment Market known as Aim, the exchange has done well to convey an impression of more serious intent. After extensive discussion with market participants, the new market for smaller companies will hava its own separate management and marketing team. Its rules have also been tightened to provide additional reassurance to investors on regulation.

An important feature of the original blueprint for Aim was that the stock exchange was not expected to vet prospectuses. That very considerable relaxation of the rules has survived the consultation process. But the revised proposal now stipulates that companies should appoint nominated advisers approved by the exchange, who will have to satisfy themselves that due diligence has been carried out. The advisers will owe their duty exclusively to the exchange. Surveillance and supervision of trading will be no less rigorous than on the main market.

The absence of prospectus vetting means that it will be possible for a company's share to be admitted to the market within 72 hours of the submission of an application with supporting documents. There will be no restriction on market capitalisation, length of operating record and the percentage of shares in public hands. Costs will be lower than on the main market and Aim is expected to appeal to a variety of companies, from start-ups to companies originally quoted on the USM, or those quoted on a matched-bargain basis under ths stock exchange's rule 4.2.

The stock exchange's new found enthusiasm for smaller companies coincides with the interest shown by the US Nasdaq exchange in the European market. Nasdaq, which has been outstandingly successful in attracting fast-growing, hi-tech companies in the US, has been involved in an attempt to set up a new, Europe-wids market for dynamic smallsr companies, called Easdaq. The Paris Bourse, another participant in the Easdaq project, has also been considering the case for establishing its own smaller companies market.

Whether there is room for all these participants remains to be seen. But venture capital has long been a notably weak link in Europs's capital markets. If an earlier opportunity to cash in unquoted investments encourages financiers to increase the supply of funds to dynamic small to medium-sized companies, so much the better. Jobs are Europe's most pressing economic priority; and that is where they are now created.

After years of reform, the BBC is still looking for direction, says Bronwen Maddox

TV characters in search of a role

When Mr John Birt bscame deputy director-general of the BBC seven years ago, he joined an organisation fighting for its survival.

The UK's largest broadcaster stood accused by its critics of political bias, elitism and inefficiency. It also faced growing competition from cable and satellite that many thought would eventually undermine the legitimacy of the licence fee, a flat-rate charge to fund the BBC's activities paid by all households with televisions.

Mr Birt – who became director general in 1992 – launched a programme of radical changes in management and programming to save the organisation. Yet while some of the immediate threats have been removed, the BBC remains in a state of permanent, unfinished revolution. It continues to fret over its identity, yesterday publishing an analysis of its role, which described its programmes as too metropolitan and too middle-class.

Mr Birt's undisputed triumph has been to persuade the government to preserve the licence fee at least for the present. Last summer, ministers agreed to allow it to rise in line with retail prices until 1996.

A crucial weapon in this battle was his success in convincing the politicians that he had improved the BBC's efficiency. Mr Birt says there was serious overcapacity even before the BBC was directed by the government to commission a quarter of programmes from independent producers.

Cost-cutting has "freed" £180m of resources between 1989 and 1993, according to the BBC. It will save a further £100m in each year up to 1997. According to Mr Birt, programmes now cost about a third less to make per hour than they did in the mid-1980s.

This has been achieved partly through the creation of an internal market inside the organisation, so that the costs of production could be established. Dubbed "producer choice", it required BBC departments to price their services and allowed producers to pick their own crews and facilities from inside or outside the organisation.

The drive for greater efficiency has been controversial among BBC staff. Some producers, particularly in drama, say that producer choice has given them freedom to use cameramen and equipment from outside, and has freed resources for programme-making. But others say the policy is stifling the BBC's creativity through "endless, endless, endless, paperwork" and a torrent of self-examination. One says "every department is now a 'customer' – and they are all showering each other with questionnaires asking 'What do you want from us?' ".

Several producers say that where they had previously been unable to hire outside crew, the internal market discourages them from using in-house staff. As a share of BBC overheads is allocated to each employee, outsida workers often appsar cheaper. "Yon lose the teams, the cross-fertilisation of ideas, and you can't put a price on thet," one ex-BBC producer says.

Others say that the internal market may paradoxically be pushing costs up. One producer comments that when the best crews leave, it can be difficult to rehire them, such is the demand "for these wonderfully trained people". When they are available, they may charge the BBC more than they would have done when on its staff.

Moreover, the internal market's pricing may be leading the BBC to contract out the wrong programmes to indspendent producers, some suggest. The 25 per cent quota to be produced by independents is measured in hours, encouraging the commissioning of studio-based, long-running series from outside, such as *Kilroy* and *Question Time*. This allows them to satisfy the quota cheaply, preserving budgets as much as possible for the programmes they want to make internally. This leaves the BBC with what one producer describes as the "cottage industry", the shorter, more expensive programmes.

There is even more dispute about the virtues of the changes Mr Birt has introduced on the programming side. He declared that the role of a public service broadcaster such as the BBC was to stick to the "Himalayan peaks" of television. It should produce "distinctive" programmes that commercial broadcasters were onwilling to make.

Those aims were most clearly articulated in news and current affairs. Mr Birt had previously attacked trivialisation of news reporting in the UK media and called for more analysis and context in reporting.

Some of the reforms Mr Birt promised are evident. Television now has a large network of permanent foreign correspondents, while radio has a continuous news channel. But many inside and outside the BBC argue that the "mission to explain" never convincingly made it to the screen.

New documentary TV series such as *Here and Now* are deliberately populist. Established programmes such as *Panorama*, the flagship documentary, are said to be under pressure to improve their ratings.

More seriously, critics argue that because of the degree of central direction now imposed in BBC news and current affairs, Mr Birt's political cantion has made the BBC's journalism tamer.

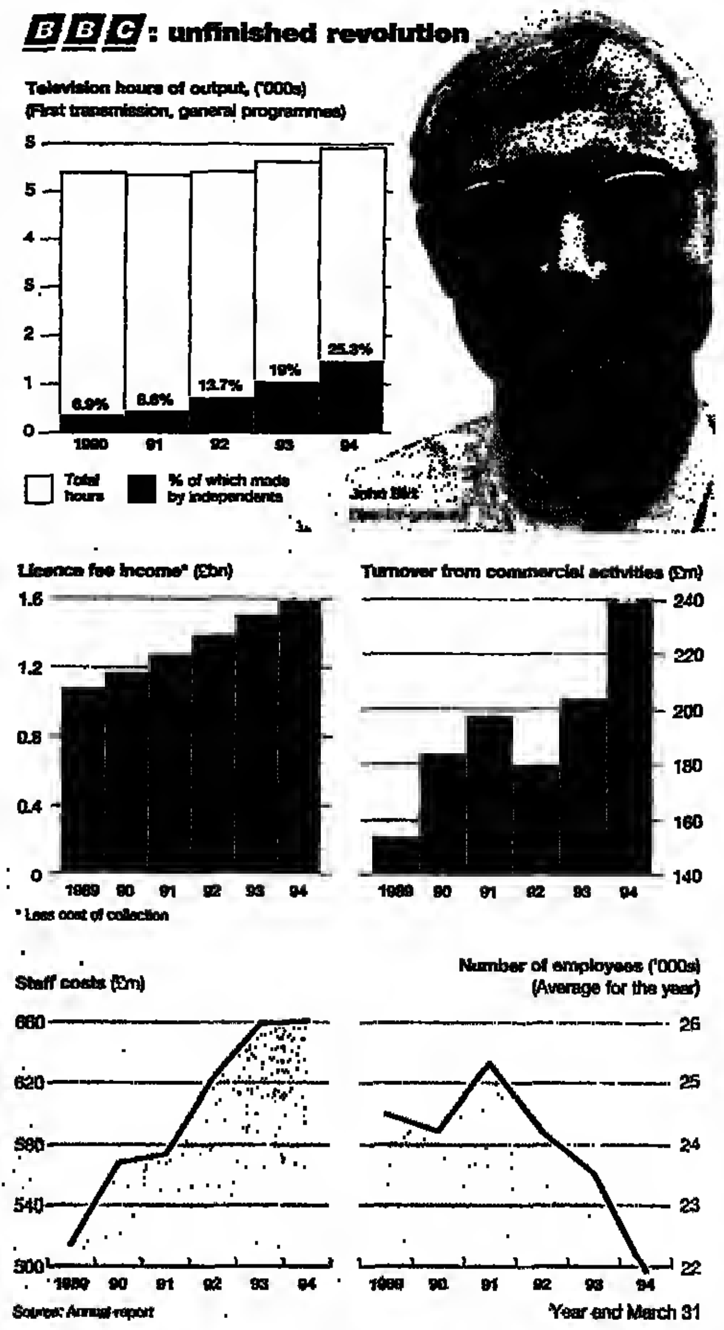
According to Mr William Stewart, a leading independent prodncer: "Sunday lunchtime is almost the only time you can see serious journalism, but it is a sort of surface attempt to pretend there is a debate, without upsetting the applecart. I would he surprised to see a programme on the BBC as tough as *Death on the Rock* [Thames Television's award-winning ITV documentary on the killing of three IRA members in Gibraltar]."

Mr Roger Bolton, wbo was editor of *Death on the Rock* while at Thames and is now an independent producer, says: "Some journalists have found that, if programmes are well sourced, John can be a courageous broadcaster. But where the issues are politically sensitive they have found him cautious in his assessment of what you can do as a state broadcaster."

Even in drama, critics discern an unsure touch in reaching for "distinctiveness". According to one former producer, the BBC is still struggling with "the same philosophical problems it has always faced: how to steer a course between populist entertainment and something that is identifiably different".

In radio, more than in television, the changes which Mr Birt planned appear to have maintained momentum. But they have not yet been demonstrably successful. Radio One, the popular music channel, has lost 5.5m listeners in the past two years, a third of its audience, following a change of presenters and the inclusion of a higher proportion of talk.

As the BBC's 1994 annual report puts it: "Whilst welcoming the more distinctive music policy and the leavening of witty, intelligent speech, we recognise that the change has been accompanied by a significant loss of audience share."



Some of those who argue tbat the programming changes have fallen short of Mr Birt's original bopes suggest that he saw no need to persist once the licence fee was secured. However, Mr Birt's public censure of aggressive interviewing techniques last week was widely interpreted by others as a sign of continuing political caution. In the view of Mr Michael Grade, chief executive of Channel 4: "He doesn't want to take any chances – be knows that the status quo of the licence fee doesn't sit well witb right-wing MPs."

Instead, the loss of momentum in editorial and management reform appears to derive simply from the way tbat changes have proved unworkabls, resented by the staff and unpopular with audiences. "Counter-revolution is too strong," says one independent producer, "but there are a lot of people in Television Centre who now don't pay much attention to the things they were being told to do five years ago."

Where, then, have the Birtian reforms left the BBC? Financially, it is better placed, although Mr Birt points out that the scope for efficiency gains is coming to an end. The licence fee is saved for the present, though its future will be repeatedly questioned as the BBC's audience is eroded by cable and satellite. Mr Birt's greatest critics credit him with the "will and vision" of that achievement.

But editorially, the BBC remains confused. It has tried to derive its identity from its cost structure, helped by consultants' analyses. It is unsurprising, then, that it is still wrestling to define its role. As Mr Bolton puts it: "John Birt's been there since 1987 – what he has to explain is why the BBC is still not fixed, if it was as broke as he said it was."

Pitfalls of commercialism

As part of a strategy of rednciug its dependence on the licence fee, the BBC has stepped up the search for new sources of income from commercial activities.

Last month saw the launch of two new international channels, *Prime* and *World*, distributed abroad by cable and satellite. And the BBC has set itself a target of tripling earnings from sales of programmes, books and videos within 15 years. Last year it made £67m profit on £239m sales.

The man behind the BBC's commercial operations is Mr Bob Phillis, deputy director-general. Last month, he told the BBC's first presentation to City analysts that he wanted to "make our assets sweat".

The two new channels will carry light entertainment and news, drawn from the BBC's bank of programmes and news-gathering organisation. BBC World will also carry paid advertisements – the first BBC service ever to do so in Europe. Part of the start-up funding will come from Pearson, the media group which owns the Financial Times and is the BBC's partner in the new international ventures.

There is, however, scepticism in the industry about the prospects for the two new channels. The BBC's World Service Television, the new channels' forerunner, lost £5m last year.

Mr Paul Vesey, head of the overseas operations of Cable News Network, the world's most successful English-language news channel, predicts losses: "Everyone loses money starting up, without fail."

Mr David Gordon, who is stepping down as chief executive of Independent Television News, the UK-based news service, also questions the news channel's long-term prospects. He argues thet the international market for news in English is small: "Apart from movies and sport, the idea that programmes can be globalised is one of the great nonsenses of our time".

Others see the traditional BBC culture as an impediment to commercial agility. Mr Michael Grade, chief exeentive of Channel 4, argues that "the idea that the BBC's committees and taskforces can compete with Rupert Murdoch is ludicrous".

Mr Phillis says that "we never pretended [the channels] would be profitable from day one". He says the BBC's share of losses will be paid out of the profits of other businesses such as programme sales. "We can self-fund for several years", he says.

Rivals complain, however, that these commercial activities are in effect subsidised by the public service core, because the programmes which it is packaging for the new channels were originally funded from the licence fee. ITN is now considering whether to raise the matter as an unfair trade practice with the Office of Fair Trading.

The BBC's response is thet all commercial activities will be separated from its UK broadcasting by a "ring fence". Its commercial arm will pay the pnblic service core a "full and fair market price" for the rights to programmes.

Rivals are sceptical that these prices will meet such criteria. They point out, too, that if the commercial arm were cbarged tbe full price, it would need considerable borrowing powers.

Competitors also suggest that, in drawing attention to the issne of cross-subsidisation, the BBC may unwittingly have jeopardised its right to resell its own programmes. Last week the Institute for Public Policy Research, a left-of-centre think tank, recommended that the BBC's commercial activities should he made so separate that other companies could hid for the rights to BBC programmes.

BBC executives appear to lose little sleep over the risk of a successful challenge on grounds of alleged unfair trading. Mr Birt says: "I would encourage our competitors to focns on their own business opportunities rather than snapping at our heels."

He adds that the government and the Labour party are happy with the financing structure, althongb the BBC has no guarantee that, if commercial revenues rise, it will not find the licence fee trimmed by a corresponding amount.

But the IPPR report does highlight the risk facing the BBC: that in venturing further into the commercial arena it could lose more than it gains.

OBSERVER

Plodding in sunshine

■ Time was when a posting to Bermuda was a plum retirement job. But Colin Coxall, assistant commissioner of the City of London Police, and Michael Mylod, deputy chief constable of Hampshire, may regret their new assignments.

Coxall is taking over from Lenny Edwards, the retiring chief of police. Unlike Edwards, Coxall is not a Bermudan; nor is his new deputy, Mylod. The passing over of Bermuda's finest has caused an uproar; Frederick Wade, leader of Bermuda's opposition, flew to London last week to protest.

Given that Bermuda is stuffed full of expatriates, the row over the arrival of a couple more seems a mite excessive. But it's the sort of gesture which could just tip local opinion in favour of independence.

Sir John Swan, Bermuda's prime minister, has just published a less than neutral green paper on the independence issue. Who knows, Lord Waddington, Bermuda's governor, may be out of a job sooner than Chris Patten, his old Tory chum, who has only 833 days to go running Hong Kong.

It's popped up

■ Relief all round at the London School of Economics, as well as red faces spared at the office of President Thomas Klestil, the Austrian head of state. A missing bronze bust of Sir Karl Popper, teacher and philosopher, which was supposed to be unveiled by Klestil last week, has been found.

To all-round embarrassment the bust went missing in a courier's pouch somewhere between Vienna and London. So a plaster replica stood in.

Klestil nevertheless delivered a glowing eulogy to the refugee from national socialism. He even quoted the FT's obituary: "Like most British intellectuals of his generation, he was born in Vienna." Klestil also expressed the hope that "this material representation will stimulate a constant awareness of the timelessness of Karl Popper's thought".

Now the real bronze bust has been found – incorrectly delivered to the Britisb post office it appears – Popper's memory might even outlast a few more generations of students.

But who gets the £2,000 reward offered by the Austrian embassy? Surely not the Royal Mail?

Asian largesse

■ The Hong Kong government has so much money it could abolish income tax for the next four years, or give each baby born in 1995 $180,000, according to Price Waterhouse.

The accountants reckon that the colony has approximately $12.8bn more in reserves than it needs to meet Hong Kong's obligations to China in 1997. So financial secretary Hamish Macleod "could make his mark in Hong Kong history by giving it away", say Price Waterhouse.

Other possible alternatives are: paying a bonus of $16,000 to every person over 60; giving each couple getting married in the next year a $250,000 wedding present; or abolishing corporate taxes for two years.

So what will MacLeod do in his annual budget speecb on March 1? According to Price Waterhouse, none of those things. Shame on him.

Ulan Bator's hump

■ Privatisation isn't all that it's cracked up to be, especially if you're a Mongolian camel.

It seems a third of Mongolia's camels have been butchered for quick cash since the privatisation of the country's agricultural collectives in the 1990s.

"As the collectives have been privatised in the 1990s, ths animals were distributed indiscriminately to those who knew nothing about livestock as well as skilled herders," says the country's ministry of food and agriculture, in an article in the newspaper *Ardiin Erkh*.

About 225,000 two-humped Bactrian camels have been killed since 1990, leaving an overall herd size of 366,100 at the end of 1994. Back in 1954 the figure was almost 900,000. No wonder they don't smile much.

Split intuition

■ Lawyers don't necessarily have the highest opinion of bankers, and probably *vice versa*.

But what happens when they coexist in the same body? Seems like the lawyer has the last word, at least if Martin Peltzer, speaking at a Frankfurt conference on corporate governance, is anything to go by. Peltzer has experience of both banking and the law; he once worked with Deutscbe Bank's legendary Hermann Josef Abs. "Making money is not a question of intelligence – it's a question of intuition," said Peltzer. Abs obviously taoght him a thing or two.

Saddle up

■ A cowgirl's best friend might be her horse, but maybe Americans are taking sharing a little too far. Horse shampoo is now available on drugstore shelves, alongside the human version. "Mane'n Tail and Body" shampoo promises a "down to the skin" cleansing and conditioning.

It has a not unpleasant fruity fragrance. The directions say: "Add once (sic) ounce per gallon of warm water into a bucket." Presumably horses aren't too bot on spelling.

The Financial Times

100 years ago

House of Commons
There is likely to be a heated debate in the next few days on the telephone question. Certain gentlemen have desired that the Postmaster-General should, before signing the new contract with the Telephone Companies, give the House an opportunity of discussing the matter. In consequence of the strong pressure brought to bear upon him by supporters of the Government, Mr Morley [the Postmaster-General] has agreed to defer signing the contract for 14 days, intimating that in the meantime the opportunity for a debate might arise.

50 years ago

Molson's Brewery (Canada) offer
The movement quoted in recent months to convert private concerns into public companies received fresh impetus this week by the announcement that Molson's Brewery will make available to the public one-fifth of its outstanding capital of 750,000 shares of no par value. The business was founded in 1786, and the entire capital has been held by the Molson family.

FINANCIAL TIMES
Thursday February 16 1995

Share price slips amid uncertainties caused by case

Microsoft hits back at judge's antitrust ruling

By Louise Kehoe in San Francisco

Microsoft hit back yesterday at a federal judge's surprise rejection of its proposed antitrust settlement with the US Justice Department.

The company claimed the judge had "overstepped his authority", and said it "respectfully but strenuously disagrees with the court's approach".

In a written opinion on Tuesday, Judge Stanley Sporkin said he could not approve the antitrust settlement on several grounds, particularly its narrow terms and the Justice Department's refusal to reveal to the court information about its investigation of the company.

Uncertainties created by the case hit Microsoft's stock yesterday. Its share price was down $2¼ in heavy early trading at $59⅝, but it recovered to trade at $61¼ in midsession.

The legal moves also raised doubts about Microsoft's planned $1.5bn acquisition of Intuit, publisher of Quicken, the popular personal finance accounting program. Intuit's share price fell $3¼ to trade at $65¼ in mid-session, down from Tuesday's close of $68½, on speculation that the Justice Department may halt the acquisition in the wake of the judge's criticism of its handling of the antitrust case.

The proposed settlement would have forced Microsoft to change the terms of software licensing agreements it makes with personal computer manufacturers for use of the MS-Dos and Windows PC operating system programs. It did not, however, address broader concerns about whether Microsoft has used its dominance in the operating system market to gain unfair advantage in other sectors of the software business.

Microsoft, the world's largest software company, is renowned for its tough tactics. However, Mr Bill Gates, its co-founder and chairman, has denied the company has broken any laws.

Microsoft charged that Judge Sporkin, rather than simply assessing the merits of the settlement to determine whether it was in the public interest, had raised concerns about broader allegations of anti-competitive practices by Microsoft.

His ruling means the Justice Department must now decide whether to take its antitrust charges to trial or try to amend the settlement to make it more acceptable to the judge. It may also be possible to appeal.

Back on the hook, Page 5

THE 15 BEST-KNOWN BRANDS IN CHINA

Brand	Country	%*
Hitachi	Japan	65
Coca-Cola	US	62
Panasonic	Japan	60
Toshiba	Japan	58
Tsing Tao Beer	China	56
Toyota	Japan	54
Mickey Mouse	US	54
Marlboro	US	51
Suzuki	Japan	47
Honda	Japan	44
Pepsi	US	42
Kodak	US	42
Sanyo	Japan	42
Boeing	US	42
Fuji	Japan	41
Nestlé	Switz	40
Mitsubishi	Japan	40

* Percentage of sample recognising brand

Source: Gallup

China survey

Continued from Page 1

on television, with 64 per cent saying this was a regular pastime. Next was going to the movies (60 per cent) followed by playing cards (58 per cent), reading books (50 per cent) and playing music (49 per cent).

Asked what they planned to buy over the next two years, 32 per cent of households said colour televisions.

Gallup China Survey. The Gallup Organisation, 47 Hulfish Street, Princeton, New Jersey 08542, US. Free.

London forms small companies market

By Richard Gourlay in London

The London Stock Exchange yesterday announced details of a new Alternative Investment Market designed to help young and growing companies raise capital.

The exchange hopes the market will increase the flow of equity to small dynamic companies whose access to equity or venture capital is limited.

The new market will replace the Unlisted Securities Market and is modelled closely on the successful Nasdaq market in the US which attracts high-growth companies.

The progress of Aim will be closely watched by the European Association of Securities Dealers, an organisation set up last year to launch a European equivalent of Nasdaq later this year.

The Bourse de France, one of the partners in the dealers' association initiative, also has a separate plan for a new market for small companies if the pan-European Nasdaq fails to get off the ground.

The Aim market, which should begin trading on June 19, will be quite highly regulated. Companies that are quoted will need to nominate permanent advisers and brokers and will need to notify the Exchange of market-sensitive news.

Mr Michael Lawrence, the Stock Exchange chief executive, said the new market would have a strong regional presence in the UK, helping companies raise capital from local investors.

The Stock Exchange's original plan last year suggested the replacement USM should be lightly regulated. It was strongly criticised as unlikely to attract large numbers of private or institutional investors. But the new plan has been welcomed by stockbrokers and some investors as an imaginative initiative.

While the Stock Exchange is beginning a marketing campaign to promote Aim, the Inland Revenue has yet to fill in one crucial piece of the jigsaw which could greatly increase liquidity in shares traded on Aim.

Ministers and the Revenue are expected to decide soon whether Aim companies qualify as "unquoted companies". If they do investors would receive capital gains tax rollover relief and inheritance tax relief.

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Mexican peso sinks amid fears over crisis

Continued from Page 1

fact that the fall of the peso has shrunk the value of the assets of many Mexican companies when denominated in US dollars. Since most international loans are dollar-denominated, banks fear the decline in dollar asset values could lead some borrowers to break loan agreements.

Investors are also concerned that two promised financings – a $3bn credit line from international banks and $2.25bn from foreign investment banks – were running into the sand. According to one broker: "If the banks fail to join these financings, it suggests they believe Mexico is not a going concern."

Worries about a lack of credibility in the government's economic programme and delays in negotiating the conditions attached to a $20bn loan package with the US Treasury added to the fears. The unease was reinforced by an unenthusiastic response to a weekly auction of Cetes, short-term government paper denominated in pesos. The benchmark interest rate on 28-day Cetes rose nearly 5 percentage points from last week's auction to 40 per cent.

Role of bankers on Germany's boards questioned

By Andrew Fisher in Frankfurt

German bankers should stop taking on chairmanships of company supervisory boards, a director of the country's biggest bank said yesterday, deepening the controversial debate about such boards' effectiveness.

In an unusually outspoken comment on the role of banks in Germany's two-tier board system, Mrs Ellan Schneider-Lenné, a director of Deutsche Bank, said the chairmen of supervisory boards needed experience of industrial markets and not just financial expertise.

"Industrialists tend to be better qualified because of their experience. The job has changed in depth," she added.

The structure and competence of supervisory boards, which appoint top management and vote on important corporate decisions, has recently been called into question as several leading companies have run into trouble. Some politicians have also said the number of supervisory board mandates a person can hold should be reduced from the present 10.

The near collapse of Metallgesellschaft, the industrial and trading company, a year ago helped renew the focus on this issue. Mr Ronaldo Schmitz, a director of Deutsche Bank, heads the company's supervisory board and was involved in the controversial operation – criticised by some former executives and economists – to wind up its loss-making US oil futures contracts.

Mrs Schneider-Lenné, speaking at a conference on the German board system, said any reduction in non-executive mandates should be voluntary.

"If you adopt the lawnmower approach, you will lose some terrific people," she said. Deutsche Bank was no longer taking on new supervisory board chairmanships and its directors were cutting down on non-executive directorships.

"With individual supervisory boards creating more work, we shall see an erosion in the number of mandates we accept," she added.

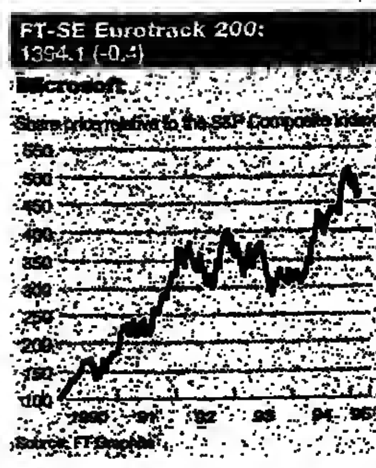
Management board directors of the bank hold nearly 100 supervisory board positions. The figure rises to about 400 when managers below board level are included.

As well as its role at Metallgesellschaft, Deutsche Bank is involved with Klöckner-Humboldt-Deutz, the ailing diesel engine and industrial equipment manufacturer which is undergoing a capital restructuring. Mr Michael Endres, another director of the bank, is head of KHD's supervisory board, a post he took over from Mr Hilmar Kopper, Deutsche Bank's chairman, in January. Mrs Schneider-Lenné said these were crisis situations where a continued Deutsche Bank presence as head of the supervisory board was necessary.

LEX COLUMN

Microsoft's hard times

FT-SE Eurotrack 200: 1394.1 (-0.4)



Like AT&T and IBM before it, Microsoft has become so powerful that pressure to cut it down to size is mounting. Judge Stanley Sporkin's decision that last year's antitrust settlement between the software group and the Justice Department was too soft is the most determined attempt to do so. One may argue that the settlement followed a thorough investigation, while Judge Sporkin knows little about the software industry. But much the same could have been said for Judge Harold Greene when he took over the AT&T case in the early 1980s; that did not stop the telecoms giant being broken into eight pieces.

Much now depends on the wider political context. Ms Anne Bingaman, the assistant attorney-general who cut the deal with Microsoft, is hardly likely to change her tune much. But she has bosses, and Microsoft has enemies who are lobbying for tough action. The main risk for Microsoft is that antitrust action is broadened. Last year's deal attempted to stop the company unfairly maintaining its near-monopoly on operating systems for personal computers. But there are also concerns that Microsoft is using that monopoly to dominate the market for applications software. In particular, there are fears that it may monopolise electronic banking by its proposed $1.5bn Intuit acquisition and dominate on-line systems by packaging Microsoft Network with its Windows operating systems. Even if the extreme option of breaking Microsoft up looks unlikely, determined trust-busters could get quite nasty.

US economy

The US financial markets' rally yesterday was hardly surprising, but may have been overdone. Hopes of a soft economic landing were substantially heightened by a string of statistics demonstrating a more subdued economy. The inflation figures showed some cause for concern, with a 2.9 per cent rise in consumer prices over the past year; but inflation was always going to lag the Federal Reserve's turning of the monetary screws. Meanwhile, retail spending looks positively lacklustre and industrial production growth has slowed abruptly from the end of last year.

This is all being used to support the theory that economic acceleration late last year reflected a sharp but short-term build-up in inventory. By extension, some argue that the Fed has already succeeded in dousing the inflationary fires, and that interest rates may already have peaked.

Certainly, the Fed pointed yesterday to a widespread slowing in industrial production growth, particularly for consumer goods. Nonetheless, capacity utilisation edged higher at 85.5 per cent, and is standing at the highest level since October 1979. This demonstrates the risk facing the Fed. The absence of manufacturing slack, compounded by a sharp decline in unemployment over the past two years, suggests that failure to restrain demand will rapidly lead to an upward spiral in prices. One set of industrial production figures does not denote a trend, and a further tightening remains likely to counter the inflationary peril.

Glaxo/Wellcome

Wellcome's response document clearly gave the market food for thought. After yesterday's rise, Wellcome shares are now trading at a small premium to Glaxo's offer price, once Glaxo's interim dividend is stripped out. That suggests investors believe the chances of a counter-bid have improved.

Certainly, Wellcome looks attractive. The sales projections for its four biggest products look credible, and indicate the group should not excessively suffer from the US patent expiry of Zovirax, its largest product. The promise that margins should remain within the 28 per cent to 32 per cent range is also appealing. This is good fighting stuff, although the gloss is somewhat tarnished by Wellcome's indication that non-prescription Zovirax will not gain a US licence before 1998. But Wellcome's promising sales prospects do not necessarily mean Glaxo has undervalued the group. Wellcome argues the offer is low, given the bid premiums and earnings multiples achieved during three large deals in the sector last year. However, such comparisons are nonsense: Syntex's earnings had collapsed following the patent expiry of its biggest product; Chiron is a biotechnology group valued on a completely different basis; and a significant proportion of American Cyanamid's sales came from agrochemicals. In any case, such methods of valuation are irrelevant. The market will determine if Glaxo has undervalued Wellcome: if its advisers fail to find a counter-offer, then Glaxo's price will have been fair.

Sterling

The decline of sterling against the D-Mark reflects the strength of the German currency as much as the weakness of the pound. The D-Mark's traditional status as Europe's safe haven is enhanced by the prospect of higher short-term rates within the next six months. Add in a faster-than-expected German recovery and it is not surprising that soft European currencies, including sterling, are softening further.

That is not to deny that sterling has its problems, despite the growing anti-inflation credibility of the UK's monetary authorities and the lack of current account concerns. Investors are worried about the impact of political weakness on the current government's fiscal and monetary policy. They are also getting jittery about the likelihood of political change by 1997. Such uncertainties come at a time when inflation is ticking upwards while consumer demand is slowing, as yesterday's economic statistics show. In time, this may evolve into an acute policy dilemma, intensified by politics. But that point has not yet been reached. The inflationary impetus caused by sterling's weakness is not as great as the near 8 per cent slippage against the D-Mark since last January suggests. Sterling's fall is less than 5 per cent on a trade-weighted basis and the currency has in fact appreciated against the dollar. The fall against the D-Mark should give a non-inflationary fillip to the UK's export-driven recovery. Even if sterling's rise yesterday proves short-lived, this is no cause for panic.

Additional Lex on small companies, Page 22

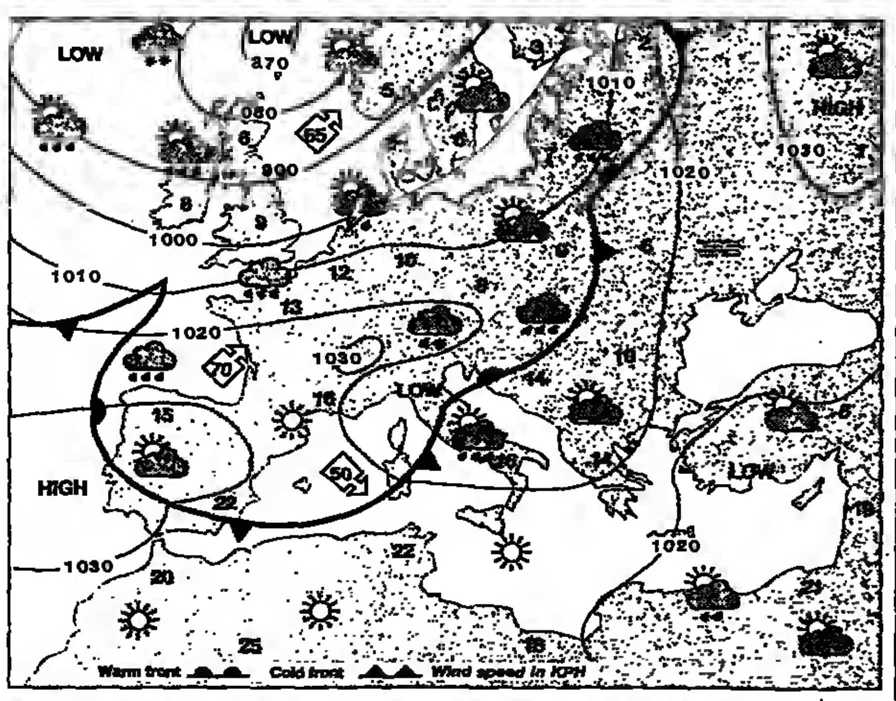
FT WEATHER GUIDE

Europe today

Active low pressure over the Norwegian Sea will draw mild and unsettled air into most of Europe. However, the Benelux, Germany and France will have sunny spells with scattered showers. An Atlantic disturbance will bring cloud, rain and strong winds to the southern UK and, in the afternoon and evening, to the Benelux and France. The northern UK and southern Scandinavia will have showers, some of them wintry. Spain and Portugal will remain dry with plenty of sun. The Alps and former Yugoslavia will have outbreaks of rain and snow above 1,000-1,500 metres. Italy will have thundery showers but Greece and Turkey will stay rather sunny and mild.

Five-day forecast

Most of western and central Europe will continue unsettled and mild. High pressure on Sunday may bring a short period of drier conditions to central Europe. Southern Europe will have plenty of sun and temperatures between 13C and 22C. The eastern Mediterranean will become cooler and unsettled from Sunday.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

		Maximum Celsius
Abu Dhabi	sun	24
Accra	cloudy	32
Algiers	fair	21
Amsterdam	shower	11
Athens	fair	15
Atlanta	rain	13
B. Aires	fair	29
B.ham	rain	8
Bangkok	fair	35
Barcelona	fair	18
Beijing	fair	7
Belfast	hail	7
Belgrade	rain	15
Berlin	shower	11
Bermuda	cloudy	22
Bogota	fair	20
Bombay	sun	29
Brussels	shower	12
Budapest	rain	6
C.hagen	shower	6
Cairo	fair	20
Cape Town	fair	26
Caracas	fair	29
Cardiff	rain	10
Casablanca	fair	19
Chicago	fair	1
Cologne	fair	12
Dakar	fair	25
Dallas	shower	7
Delhi	sun	24
Dubai	sun	25
Dublin	shower	9
Dubrovnik	thund	15
Edinburgh	hail	7
Faro	sun	16
Frankfurt	fair	12
Geneva	shower	11
Gibraltar	sun	20
Glasgow	shower	7
Hamburg	hail	5
Helsinki	cloudy	3
Hong Kong	rain	16
Honolulu	fair	26
Istanbul	fair	10
Jakarta	shower	30
Jersey	windy	11
Karachi	sun	29
Kuwait	sun	18
L. Angeles	fair	18
Las Palmas	fair	22
Lima	fair	30
Lisbon	fair	19
London	rain	11
Lux.bourg	shower	9
Lyon	shower	12
Madeira	fair	20
Madrid	fair	16
Majorca	sun	20
Malta	fair	18
Manchester	rain	9
Manila	cloudy	32
Melbourne	fair	29
Mexico City	hazy	25
Miami	fair	27
Milan	shower	18
Montreal	cloudy	-4
Moscow	rain	2
Munich	cloudy	11
Nairobi	shower	27
Naples	thund	18
Nassau	sun	27
New York	cloudy	5
Nice	sun	17
Nicosia	fair	18
Oslo	shower	5
Paris	rain	13
Perth	sun	32
Prague	fair	10
Rangoon	sun	31
Reykjavik	fair	1
Rio	shower	29
Rome	fair	16
S. Frsco	cloudy	12
Seoul	sun	2
Singapore	cloudy	31
Stockholm	fair	5
Strasbourg	cloudy	13
Sydney	shower	26
Tangier	fair	16
Tel Aviv	fair	19
Tokyo	shower	6
Toronto	cloudy	-3
Vancouver	shower	8
Venice	shower	11
Vienna	shower	9
Warsaw	fair	11
Washington	rain	8
Wellington	fair	16
Winnipeg	snow	-9
Zurich	shower	11

FINANCIAL TIMES
COMPANIES & MARKETS
©THE FINANCIAL TIMES LIMITED 1995 Thursday February 16 1995

IN BRIEF

Daewoo bows to reorganisation

Daewoo, one of South Korea's largest industrial groups, will reorganise by 1997 in response to government pressure for the country's conglomerates to streamline operations. Page 20

US bank quits equity sales in Tokyo
CS First Boston, the US-based investment bank, is withdrawing from the marketing of equity sales in Tokyo. The company said the move reflected depressed trading conditions in the past few years as the Tokyo equity market continues to stagnate. Page 20

Sony rise held down by strong yen
Sony, the electronics and entertainment group, reported a moderate increase in third quarter pre-tax profits as sales rose 7.2 per cent to Y1,143bn ($11.8bn). Sony blamed the appreciation of the yen in part for the poor performance by its pictures division. Page 20

Canon advances 44%
Canon, the Japanese camera and office equipment maker, said that the worldwide strength of demand for computer equipment coupled with its own cost-cutting had helped it raise recurring profits – before extraordinary items and tax – by 44 per cent in the year to December 31. Page 20

Trizec to sell $440m assets and cut debts
Trizec, the Canadian property developer which emerged from a financial restructuring last year, plans to sell assets worth US$400m and lighten its debt load as part of a new plan to put it on a secure footing. Page 18

Postipankki loss widens in 1994
Postipankki, the Finnish state-owned bank reported a near doubling of its losses in 1994, underlining the problems still dogging the country's banking sector. This was in spite of a sharp reduction in the credit losses which have wreaked havoc among Finnish banks in recent years. Page 16

Banesto reports Pta12.5bn loss for 1994
Banco Español de Crédito (Banesto), the troubled Spanish bank, suffered net losses of Pta12.5bn ($95.4m) in 1994, in line with estimates. The bank was rescued by the domestic financial sector last year and acquired by Banco de Santander. Page 21

Wellcome forecasts higher sales
Wellcome fired another salvo in its battle against a hostile bid by Glaxo, its pharmaceuticals rival, with sales projections higher than expectations. Page 22

Barclays to seek buy-back powers
Barclays, the UK's largest bank, is likely to seek powers at its annual meeting in May to buy back its shares allowing it to return any excess capital to its shareholders next year. Page 22

FT-SE Actuaries Share Indices
The FT-SE Actuaries Share Indices published in Wednesday's FT were based on pre-close London share prices. Today's table on Page 30 contains corrected figures; calculated ratios for February 14 are shown on Page 29. We regret this error, caused by technical problems affecting delivery of data from the London Stock Exchange to Extel Financial.

Companies in this issue

Market Statistics

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
GEHE	530	+	32.5
Henkel	576.5	+	13.5
PWA	270	+	10.5
RWE Prf	374.1	+	15.6
Falls			
Asko	850	–	15
Degussa	472	–	6.5
NEW YORK ($)			
Rises			
CSX	76¾	+	1¼
Dow Chemical	67½	+	1¼
Georgia Pac	77⅞	+	1⅛
Intl Paper	77¾	+	1
Luxottica	38¾	+	1⅛
Falls			
E Kodak	48½	–	1⅛
LONDON (Pence)			
Rises			
HSBC (75p)	671	+	20
Parkdean	172	+	33
Warburg SG	729	+	19
Falls			
Berisford In	230½	–	11½
Meyer Int	335	–	12
Wimpey G	124	–	6
TORONTO (C$)			
Rises			
Irwin Toy	7⅝	+	¼
Maple Leaf	42	+	2
PC Docs Grp	8½	+	1
Falls			
BAA Plc	9⅝	–	1⅛
Spectrum Sig	7⅞	–	¼
Tandon Corp	8½	–	½

PARIS (FFr)			
Rises			
Essilor	730	+	11
Unibail	485	+	13
Falls			
Alcatel	435.6	–	8.5
Immobanque	520	–	19
Sefimeg	335	–	10.8
Spie Batig	185	–	8.9
TOKYO (Yen)			
Rises			
Daikyo Inc	745	+	21
Falls			
Haseko	574	–	18
Hochiki	850	–	28
Komatsu	770	–	35
Mitsui Soko	727	–	44
Seibu Rail	3520	–	230
HONG KONG (HK$)			
Rises			
Citic Pac	19.44	+	1.1
Hutchison	32.0	+	1.6
Wharf Hldgs	28.0	+	1.2
Falls			
Keck Seng In	2.7	–	0.1
Lead Spirit	0.5	–	0.1
Rich City	1.28	–	0.1
BANGKOK (Baht)			
Rises			
Matichon	95	+	8
Serm Suk	226	+	8
Thai Toray	100	+	5
Falls			
[illegible]	78	–	6.5
Korat Sang	83.5	–	6.5
Shinawatra	508	–	22

New York and Toronto prices at 12.30pm.

RWE in German telecoms link-up

Electricity distributor joins other utilities to create grid for voice and data services

By Michael Lindemann in Berlin

RWE, Germany's biggest electricity distributor which has branched out into telecommunications, is to link up with six smaller utilities to create a telecommunications network to compete with Deutsche Telekom, the state-owned operator.

The network would cover about two-thirds of Germany. It will be used to transmit voice and data services when Deutsche Telekom's monopoly falls on January 1, 1998, in line with most of the rest of the European Union.

RWE would not say how much it would cost to create the new grid, saying that investment decisions would depend on what speed and to what extent the German telecommunications market is liberalised over the next few years.

It is still unclear how many and what sort of licences will be issued to up to five German companies, including RWE, which want to compete with Deutsche Telekom in the provision of voice services, especially to corporate clients.

RWE has about 4,300km of glass fibre cable needed for high quality voice transmission and the other smaller utilities have also been expanding their internal networks in recent years. It is also expanding its corporate network services through its CNI subsidiary – in which Deutsche Bank and Mannesmann, the engineering group, also have a stake – which has had considerable success with its D2 mobile phone network.

The new grid will cover the parts of western and southern Germany where RWE has a distribution monopoly. The other ntilities in the link-up include VEAG, the east German grid, the Vereinigte Elektrizitätswerke Westfalen which covers part of the Ruhr area, the Badenwerk and Energieversorgung Schwaben in the southwest and smaller grids supplying Berlin and Hamburg.

However, Veba and Viag, which own the other big electricity grids in Germany, have decided not to join the venture.

Both have teamed up with big international partners and are jockeying for positions ahead of liberalisation. Veba said in September it would build its own telecommunications network with Deutsche Bahn, the state-owned railways operator.

In common with Veba and Viag, both energy-based conglomerates which have branched into telecoms, RWE is expected to finance its telecoms investments with earnings from its electricity monopoly.

RWE yesterday reported an improvement in its chemical activities which helped lift net profits for the first half to DM504m ($330m), up from DM404m a year earlier.

Turnover in the six months rose 18 per cent to DM32.8bn, helped by new acquisitions. Excluding these first-time consolidations sales rose 7 per cent.

Turnover in construction, one of the group's six divisions, rose 44 per cent to DM3.7bn, helped by RWE's stake in Hochtief, Germany's second-biggest construction company.

"For the business year as a whole we expect the present profit improvement to gather further momentum," said RWE.

Philip Gawith explodes the myths of a 'St Valentine's Day massacre' and a pound in crisis

Sterling's storm in a teacup but many a slip . . .

Political turmoil, slowing growth, rising inflation, and sterling under pressure – it was enough to elicit a powerful sense of déjà vu.

Add in the heady symbolism of a "St Valentine's Day massacre", and the memory of sterling's ignominious exit from the European exchange rate mechanism in September 1992, and it was but a small leap for the pundits to arrive at a "sterling crisis".

Crisis, however, was not a word heard on the foreign exchanges yesterday. As Mr Chris Dillow, economist at Nomura in London, said: "The market is trying to jump a gun that may not even go bang." Other analysts, criticising the "paranoid coverage", said they would be cautious buyers at current levels.

After falling to its weakest level in nearly two years on Tuesday, sterling had a better day yesterday. Helped by better than expected economic data, which eased concerns about incipient inflation, it closed at DM2.3584, from DM2.3563 on Tuesday.

While most observers believe *crisis talk is inappropriate, they* are not saying that sterling is out of the woods. Indeed, when markets break through key chart levels, they habitually target the next level of technical support.

Having fallen below the 1994 low of DM2.3710 on Tuesday, it is possible that sterling could fall further towards the all-time low of DM2.3130, reached in February 1993. It is also a currency considered to be in long-term decline.

All of this, however, is a far cry from September 16 1992, Black Wednesday, when sterling fell 9 pfennigs against the D-Mark and exited the ERM. Then, at around DM2.78, sterling was widely held to be overvalued.

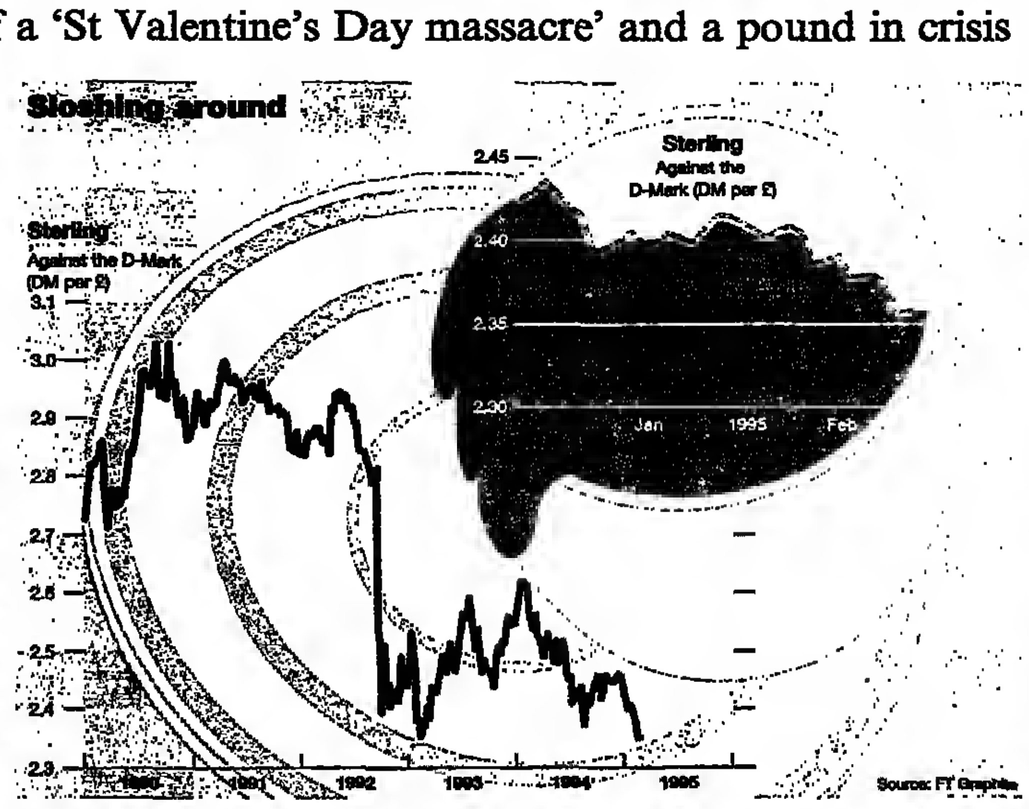
At current levels, however, around DM2.35, few analysts are inclined to argue that sterling is overvalued. Swiss Bank Corporation, for example, says in its latest research bulletin that, "for the first time in the 1990s, our research suggests that sterling is not particularly overvalued versus the D-Mark". SBC believes that sterling's purchasing power parity rate (the rate at which a basket of goods will cost tha same in both countries) against the D-Mark is DM2.83.

Mr Dillow goes further, saying sterling is undervalued in terms of economic fundamentals. He cites sterling'a slide from DM2.55 in January 1994 to DM2.35 now, despite very low inflation and "an economic miracle on the current account" in the interim.

Unlike in 1992, the market does *not have fundamental problems* with the conduct of monetary policy. Indeed, greater transparency and pre-emptive strikes against inflation have won widespread plaudits.

So why is sterling weak? The starting point is the positive economic fundamentals which the UK economy showed in the second half of last year. Strong growth, low inflation, a healthy current account and a more stable political backdrop than in many industrialised countries made sterling an attractive buy. This is borne out by investor surveys. Mr Mike Rosenberg, manager of fixed income research at Merrill Lynch in New York, says their research shows clients holding "fairly significant" overweight positions in sterling.

Sloshing around



These investors have now turned sellers. The trigger was politics. Foreign investors in particular became concerned that tensions surrounding the Anglo-Irish peace process might unseat the government. These concerns were aggravated by Tory party feuding over Europe. This left investors worrying that the UK might be consigning itself to the outer core of Europe, where governments are considered less rigorous about inflation.

Thase inflation concerns appeared to receive unwelcome confirmation on Monday when January producer price inflation figures were much worse than market expectations. Along with hints of an economic slowdown *and political uncertainty*, it was hardly surprising that foreign investors feared a return to Britain's bad old ways.

There are more than merely domestic reasons why sterling is weak. One factor is the fall-out from the Mexican crisis. This precipitated a flight towards safe-haven currencies, with the D-Mark being the main beneficiary. Indeed, some observers cite weakness in the franc and the lira, both near record lows, and the dollar, as evidence of D-Mark strength, rather than sterling weakness.

The low turnover on the foreign exchanges is also relevant. Mr Rosenberg says: "When there is less activity in the markets in general, they tend to gang up on whatever is hot at the moment. *The result is that movements of* currencies, and the news that generates those moves, is not necessarily in sync."

Mr Dillow believes sterling is due for a rally. "Tha thing about a speculative bubble not based on economic fundamentals is that sooner or later it will burst."

Lex, Page 14; Currencies, Page 25

EdF says profits fell on higher state levy

By David Buchan in Paris

Electricité de France, the world's largest generator of electricity, yesterday reported a drop in net profit to FFr1.3bn ($248m) last year from FFr2.1bn in 1993. It blamed the decline on the French government siphoning too much from the state-owned utility.

EdF's operating profits edged ahead from FFr3.1bn in 1993 to FFr3.2bn last year, despite warm weather which depressed electricity demand in France and led to a fractional drop in turnover to FFr183.3bn.

But the government, which is striving to reduce its own budget deficit, nearly donbled its profit levy from FFr1bn to FFr1.9bn, and this year EdF faces FFr3.5bn of local and indirect tax charges.

Mr Gilles Ménage, president of EdF, complained that EdF could not operate as a major international player nnder conditions "which create doubts abroad". But he said that following his protests the government had agreed to negotiate more stable financial relations with EdF.

EdF said it was determined to maintain rapid expansion abroad.

Last year from the total 427.7bn kilowatt hours generated, it sold 63.1bn KWH abroad for FFr14.5bn, chiefly to the UK, Switzerland and Italy. Mr Francois Ailleret, EdF's director general, said be hoped to raise exports to 70bn KWH.

EdF is taking more equity stakes in foreign companies, with investments last year in Argentina, Sweden, South Africa and Italy amounting to FFr3bn, and is leading an international consortium bid to improve the safety of reactors in Slovakia.

It said yesterday it planned to keep on spending FFr2bn-3bn a year on foreign acquisitions and participations before resuming heavy investment in renewing French nuclear power stations early in the next century.

Mr Ménage flatly ruled out any possibility that EdF might be privatised or even have its capital partially opened up. But in response to pressure from Brussels, EdF is prepared to see its effective monopoly of production *in France modified so outsiders* can bid against it to build new generators in France. However, it insists on keeping its distribution monopoly.

"Don't mistake monopoly for uncompetitiveness, we have the cheapest power in Europe," Mr Ménage said.

EdF seeks Alactel probe, Page 16

Richard Lapper examines the downgrading of JP Morgan

The loss of an A shouldn't be the end of the world

JP Morgan's loss of its much vaunted triple A rating from Moody's, the US credit rating agency, is a blow to the pride of one of the world's biggest and most powerful banks.

Morgan was the last US bank to enjoy a top rating from Moody's as well as Standard & Poor's. The downgrading has raised few eyebrows, however, among bankers. In the immediate future, it seems likely to have only a minimal impact on the bank's business.

Moody's said the shift towards investment banking was responsible for the downgrade of Morgan's two US bank subsidiaries, Morgan Guaranty Trust Company and JP Morgan Delaware, to Aa1 from the top Aaa grade.

Earnings from capital markets activities such as equities and derivatives dealing are more volatile than *those from corporate* and retail banking, which Morgan has relied on. "The company's businesses are increasingly sensitive to the behaviour of global financial markets," Moody's said.

Yet Morgan is merely following industry trends. Over the past 10 years, competitive pressures have forced most of Morgan's international rivals in the same direction, leaving only a handful with triple A ratings from either Moody's, its biggest US rival, Standard & Poor's or IBCA, the London-based agency.

Morgan was one of a select band of blue chip institutions to enjoy a triple A rating from all three firms, sitting alongside Deutsche Bank, Union Bank of Switzerland, and Rabobank Nederland. The liabilities of four other German banks are guaranteed by their respective *länder*.

Since 1989, the average rating of the top 50 European banks has dropped by a notch *from* AA to AA-, according to S&P. Mr Barry Hancock, head of European financial institutions at S&P, expects the average to fall another notch before 2000.

The downgrade might be expected to have some impact on profitability. Banks with lower ratings generally find it more expensive to obtain credit lines in the interbank market. Bigger companies can sometimes be more reluctant to do business with them and strong ratings are frequently used by bank marketing departments to show their security. "In retail banking it is always an advantage, proof that your bank is a safe haven," says Mr Ian Linnell, analyst with S&P.

Most of all in the market for *over-the-counter derivatives* – in which banks provide customised swaps and other deals for corporate customers and in which Morgan is a leading player – a triple A rating has been seen as a plus. In swaps transactions, especially longer dated currency and interest deals, which can cover a period of as much as 10 to 15 years, companies can assume significant exposures to their bank *counterparties*.

CREME DE LA CREME

Banks with top credit ratings from IBCA, Moody's and S&P (by size)

1. Deutsche Bank
2. Union Bank of Switzerland
3. Bayerische Landesbank
4. Rabobank Nederland
5. Südwestdeutsche Landesbank
6. Landesbank Hessen-Thüringen
7. Landeskreditbank Baden-Württemberg

Source: Global Finance

Since the early 1990s, a number of banks have set up special subsidiaries to handle derivatives transactions. These are "bankruptcy remote" – structured to give creditors a prior claim on assets in the event of the bankruptcy of the parent – and have been awarded triple A ratings by the agencies because they are relatively overcapitalised. "Wa certainly see a number of investment banks seeking to enhance their credit in this way," says Mr David Cannon, partner in Ernst & Young'a international capital markets group in London. Yet he points out that most of the nine banks which formed such subsidiaries so far have lower ratings than Morgan. And although buyers – or "end users" in market jargon – might have insisted on a triple A rating for all deals five years ago, today they are more likely to be satisfied with a lower credit benchmark – AA or AA- from S&P or Aa2 or Aa3 from Moody's. "There were some people who had the triple A standard five years ago – I can't think of any today," one trader explained.

Dealers in the OTC market are also beginning to demand collateral from counterparties. So far this has been mainly restricted to deals between banks, but multilateral agencies are reported to have followed their example.

"The reality is there are so many ways that people come up with to modify credit risk through the use of collateral," points out Mr Paul Spraos, editor of Swaps Monitor, a specialist newsletter. Collateral arrangements are sometimes linked to the credit ratings of the parties involved, so that as its credits ratings fall a *bank might* be expected to place more collateral against its own exposure. Even so, Mr Spraos expects the impact on Morgan to be minimal. "I don't think it's that big a deal, although they may have to rewrite their publicity material."

EdF seeks inquiry into Alcatel Cable billing

By John Ridding in Paris

Electricité de France yesterday said it had asked for an inquiry into allegations of overbilling by Alcatel Cable, the cable subsidiary of Alcatel Alsthom, the French transport, telecommunications and engineering group.

"We cannot allow the slightest doubt concerning the competitive conditions of our tenders for offer nor our industrial policy," said Mr Gilles Ménage, chairman of the state utility.

He said be bed asked the ministry for industry and the economy ministry to request an inquiry by the competition commission.

The news prompted further weakness in shares in Alcatel Cable, which fell to FFr368 from FFr379. Press reports concerning allegations of overbilling had prompted a sharp fall on Monday, when the company'e ehares fell FFr17 to FFr374. However, the release of strong sales figures for Alcatel Cable, which rose 18 per cent to FFr39.3bn ($7.5bn), pushed shares up to close yesterday at FFr380.

Alcatel Cable and its parent company have firmly rejected allegations of wrongdoing or overbilling for EdF. "There is absolutely nothing illicit in our way of working with EdF," said Alcatel Cable. The company said the allegations made no sense because its contracts with EdF were set by competitive tender and were renewed every two years.

However, the reports and the request for the inquiry fuelled jitters among investors unsettled over the past year by an investigation into allegations that Alcatel CIT, the telecoms equipment snbeidiary of Alcatel Alsthom, had overcharged France Télécom.

Mr Pierre Suard, Alcatel Alsthom chairman, has also been investigated about payments for building work at his private properties. Combined with a poor performance in 1994, the investigations prompted a 50 per cent fall in the share price last year. Yesterday they fell FFr8.5 to FFr435.6

As with the allegations concerning Alcatel Cable, the French group has rejected any wrongdoing with respect to its commarcial relations with France Télécom and the claims concerning Mr Suard.

The allegations of overbilling concerning EdF are thought to involve medium-tension cables. Bids to supply these are submitted to an independent commission presided by a former president of the Cour dee Comptes, the state auditing body. Mr Ménage said yesterday he still believed the utility had good suppliers.

CLF has best year since 1987

By Andrew Jack in Paris

Crédit Local de France, the specialiet French banking group, lifted provisional profits 12.1 per cent to FFr1.45bn ($276.7m) in the 12 months to end-December 1994.

The group unveiled the outline of its businese strategy and announced details of a corporate governance initiative in line with growing calls within the country for changes to the way companies are managed.

Mr Pierre Richard, chairman, eaid 1994 had been the best year since CLF's formation in 1987, and had been achieved when the French banking system's financial situation remained mediocre.

While most French banks have been forced to increase their provisions, the figure at CLF crept up 5.4 per cent to FFr527m, including specific provisions against losses and revaluations of FFr397m.

Total banking income rose 13.4 per cent to FFr3.56bn. Operating costs were up 6.6 per cent to FFr807m while taxes rosa to FFr53.3m from FFr31.9m.

Mr Richard eaid the bank had decided to focus on two markets: finance to local authorities and to services underwritten by the public or private sector, such as transport, telecoms, energy production and the environment.

CLF's recent projects inclnde lead banker on the Pont de Normandie, opened in January this year, and the new European parliament building in Strasbourg.

Mr Richard said the bank wanted to reinforce the role and power of its shareholders through measures whicb included regular regional shareholders meetings. It has set up a private shareholders' consultative committee.

Club Méditerranée returns to black

By Andrew Jack

Club Méditerranée, tbe beavily-indebted French leisure group, yesterday reported a return to the black, with net profits of FFr94m ($17.9m) in the year to end-October 1994.

Consolidated operating income more than quadrupled to FFr370m from FFr79m and total revenues rose 7.6 per cent to FFr8.77bn. Last year the group reported a net loss of FFr296m. To reduce debt further, the company said it had decided not to pay a dividend.

Net financial debt was cut to FFr3.03bn from FFr3.4bn, and cash flow increased to FFr522m from FFr315m. But the company said total interest charges rose to about FFr200m from FFr183m last time.

The accounts show proceeds of FFr387m from the sale and leaseback of its Sandpiper village in Florida. However, it said it had offset the resulting FFr104m capital gain against a provision for the equivalent amount, so the transaction had no impact on the net income.

The company said "the business indicators for the first half of the year are encouraging" and reservations and sales were up 4 per cent on the same period in the previous year.

Profits at Amer rise 99% despite slide in sales

By Hugh Carnegy in Stockholm

Amer, the Finnish gronp which is the world's second largest maker of sporting goods, yesterday reported a 99 per cent rise in pre-tax profits in 1994 to FM272m ($58.5m), from FM137m in 1993.

The result came in spite of a 12 per cent slide in group sales to FM6.7bn from FM7.66bn, most of which was attributed to restructuring and exchange rate effects.

There was also a marked decline in sales in the sporting goods division, dominated by Wilson, the US maker of sports eqnipment. The division'e sales fell to FM3.2bn from FM3.53bn, partly due to falling demand for tennis equipment in the US and Germany. But profitability to sporting goods elipped only elightly, with operating profits falling 1 per cent to FM242m.

The main tocreases in group profits came from lower financing costs and returns from the non-core divisions, covering Toyota, Citroën and Suzuki vehicle imports to Finland, Amer's franchise for Philip Morris cigarettes in Finland and its printing and publishing units.

A large part of the latter division, which posted a 123 per cent increase in operating profit to FM49m, was sold off last month. Mr Karl Miettinen, chief financial officer, said Amer was committed to its strategy of sharpening its focus on sporting goods.

In November, it acquired Atomic, the Austrian skiing equipment maker, which will bring to 60 per cent the share of sporting goods sales in Amer's group total. It will also extend Amer's markets in Europe and Japan, where it has been weak.

Mr Miettinen was confident underlying eporting goods sales would rise this year, and predicted improved profits in 1995. He said remaining non-core operations could be sold if attractive offers were made.

Adjusted earnings per share rose to FM9.90 from FM5.80. Tbe dividend was set at FM3.00.

Philips floats minority stake in unit

By Ronald van de Krol in Amsterdam

Philips, the Dutch electronics group, is to float a minority stake worth up to $159m in ASM Lithograpby, its Dutch-based subsidiary which makes components for integrated circuits.

The unit's shares are to be listed on the Nasdaq stock market in the US and the Amsterdam stock market.

ASM Lithography, with 1994 sales of Fl 534m ($314m) and a workforce of 808, supplies wafer steppers to chip manufacturers in Europe, the US and tha non-Japanese markets of Asia.

The company is 95 per cent-owned by Philips, with the remaining shares held by a company foundation that oversees an incentive scheme for managers.

Philips said it would sell 8m shares, plus an additional 1.65m if underwriters need the extra shares to cover over-allotments. ASM Lithography itself will offer 3m new shares to investors.

The price of the initial public offering, scbeduled for mid-March, is expected to be set at $14.50-$16.50 a share, valuing ASM Lithography's expanded share capital of 33m shares at between $478.5m and $544.5m

The offering will reduce Philips' stake in ASM Lithography to about 62 per cent, which could fall to 57 per cent if the underwriters exercise their 30-day over-allotment option. CS First Boston will be global co-ordinator of two simultaneous public offerings in the US and internationally.

Of the 11m shares on offer, 6.6m will be sold in the US through a syndicate led by CS First Boston and Morgan Stanley.

About 4.4m shares will be sold in the rest of the world, with ABN Amro, the Dutch bank, and Morgan Stanley acting as co-lead managers, alongside CS First Boston.

Philips said ASM Lithography's highly-specialised business meant the company would be better off as a stand-alone entity able to finance its growth independently.

Postipankki in FM685m loss

By Hugh Carnegy

Postipankki, the Finnish state-owned bank, reported a near doubling of its losses in 1994, underlining the problems still dogging the country's banking sector. This was in spite of a sharp reduction to the credit losses which have wreaked havoc among Finnish banks in recent years.

Postipankki, one of Finland's nationwide banking groups, said its operating loss widened to FM685m ($146m) from FM354m. Although credit and guarantee losses narrowed 36 per cent to FM1.23bn from FM1.94bn, this was offset by a 13 per cent fall in total income to FM3.52bn from FM4.03bn and a 24 per cent rise to costs to FM2.77bn from FM2.23bn.

Along with the co-operative Okobank, Postipankki is faced with competition from the combined forces of the two top banks, Kansallis-Osake-Pankki and Union Bank of Finland, which last week agreed to merge.

Mr Seppo Lindblom, Postipankki's chief executive, said the decline in 1994 was "a passing phase" and forecast a return to modest profitability this year.

However, he warned that the future remained tougb and beavy cost-cntting was required. "There is is still a lot of overcapacity in [Finnish] banking. Even growth in the volume of business will not help very rapidly. Better profitability is hampered by tougher competition and poor demand for financial services."

The 1994 result was hit by losses incurred during the sharp downturn on bond markets last year, which led to a FM254m loss in bond trading, compared with a FM218m gain in 1993.

The bank eaid overall income levels had improved since the fourth quarter.

The sharp rise in costs was attributed largely to Postipankki's takeover of a one-quarter share of the Savings Bank of Finland, which collapsed at the height of the loan loss crisis and was parcelled out by the government to the four top banks.

However, Mr Lindblom said that credit losses were on a rapid downward path.

After write-offs, non-performing and zero-interest loans fell to FM2.75bn from FM3.87bn a year earlier.

Stadshypotek stages turnround

By Hugh Carnegy

Stadshypotek, Sweden's largest mortgage lender which moved out of state control through a demutualisation issue last year, swung to an operating profit of SKr1.72bn ($232m) in 1994 from a loss of SKr366m a year earlier.

This was more than SKr400m better than the company's forecast when it was floated in September.

Stadshypotek is to pay a first dividend of SKr2 a share, higher than the SKr1.75 it forecast in its issue prospectus last year.

A fall in credit losses to SKr1.8bn from SKr3.6bn was the main factor behind the return to the black. But Stadshypotek also achieved a 25 per cent increase in net interest income, to SKr4.2bn from SKr3.35bn.

The company said half of the improvement in net interest income was due to a reduction in lost interest from problem credits, and the balance to an increase in interest margins.

Although interest income fell to SKr37.3bn from SKr38.9bn, reflecting low credit demand in Sweden, interest payments fell by a greater margin, to SKr33bn from SKr35.5bn.

Total problem loans fell to SKr5.7bn from SKr7.1bn.

Provisions for possible further loan losses were reduced to SKr2.4bn from SKr2.6bn.

● The merger announced last week between Finland's two leading banke, Kansallis-Osake-Pankki and Union Bank of Finland, has been approved by their boards.

The new bank, to be one of the Nordic region's leading banks with total assets of FM300bn ($64bn) is confident of winning regulatory approval by the Finnish authorities.

It is scheduled to begin operating as a single entity from April 1. Mr Vesa Vainio, currently chief executive of Unitas, the UBF holding company, will be chairman and chief executive, and Mr Pertti Voutilainen, currently chief exectitive of KOP, depnty chairman and president.

Earnings at Valmet rise to FM203m

By Christopher Brown-Humes in Stockholm

Valmet, the Finnish paper machinery and engineering group, doubled profits after financial items to FM203m ($43.6m) in 1994 from FM100m a year earlier. Restructuring helped offset weaker underlying sales.

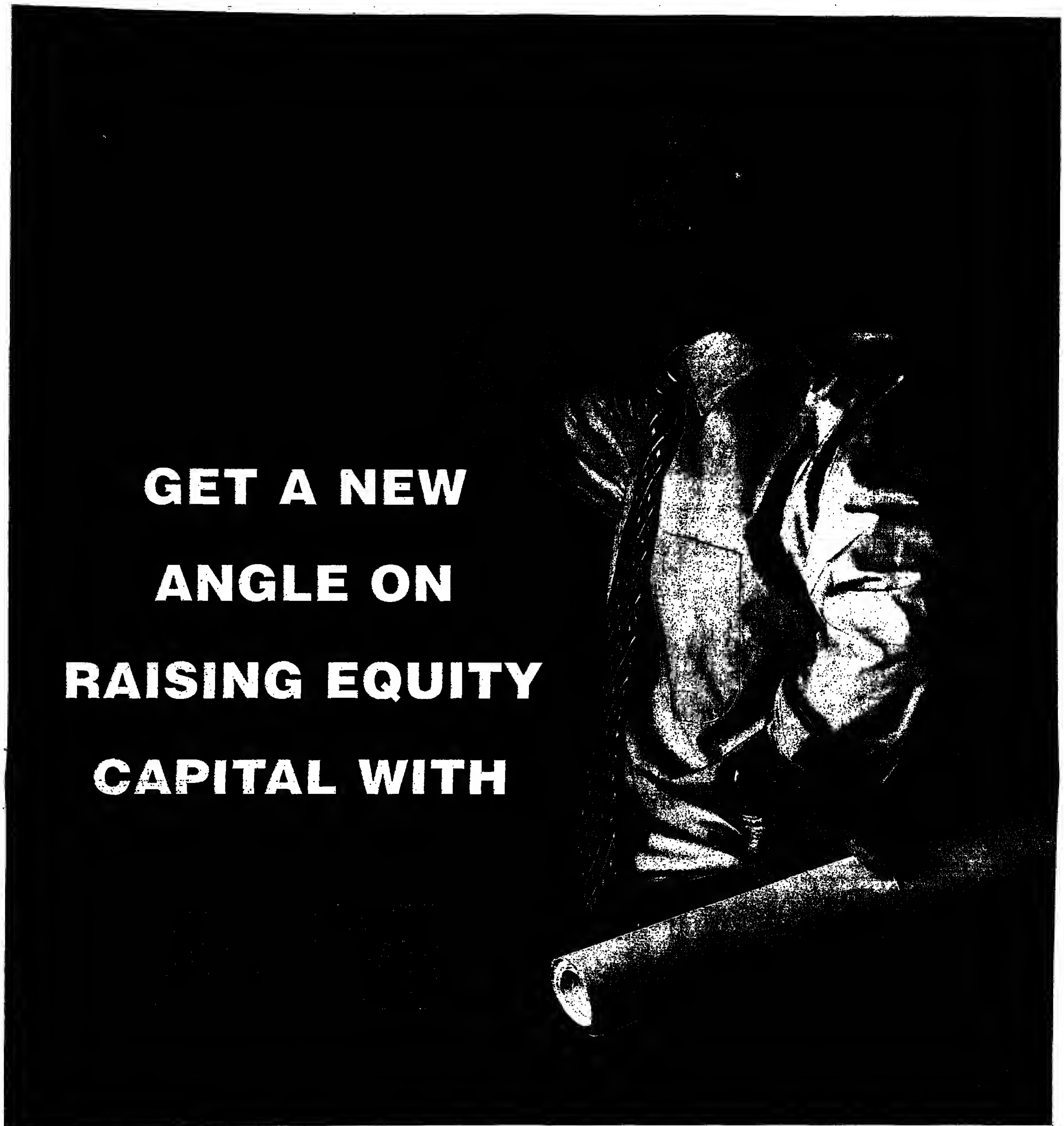
It forecast a further improvement in 1995, even though losses are expected in the first four months of the year.

Tha group's efforts to strengthen its balance sheet during the year paid off, by cutting debt and reducing net interest costs to FM219m from FM379m.

The main measures were an international share offering, which raised FM671m, and the FM1.62bn sale of the group's transport equipment and tractor operations to Sisu-Auto. Adjusted for the disposal, sales slipped to FM7.4bn from FM7.6bn.

The group's main paper and board machinery division lifted sales to FM5.47bn from FM5.25bn, while operating profits rose to FM235m from FM181m. There were improved performances from the automation and Saab-Valmet units, although lossas deepened within the aviation unit.

Valmet said prospects were improving thanks to rising orders and the revival in the pulp and paper sector, its main customer. New order bookings amounted to FM8.9bn in 1994, lifting the year-end backlog to FM6.38bn, up 8 per cent on 1993.



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INTERNATIONAL COMPANIES AND FINANCE

Trizec to sell $440m assets and cut debts

By Bernard Simon in Toronto

Trizec, the Canadian property developer which emerged from a financial restructuring last year, plans to sell assets worth US$400m and lighten its debt load as part of a new plan to put it on a secure footing.

The strategy unveiled yesterday is the culmination of a re-examination of Trizec's operations and financial position since control passed last July in Horsham, the investment holding company headed by Mr Peter Munk, and a partnership led by J. P. Morgan and US financier Mr Gerald O'Connor.

Trizec, whose $3.5bn of assets include interests in 83 North American office towers, shopping malls and other properties, said that "self-discipline" would be an important part of its future strategy.

In spite of signs of an upswing in North American real estate markets, the company proposes to focus "on those assets which we can most positively influence or which have significant upside".

It has found buyers for several parcels of land, a Calgary office building, stakes in several US shopping malls and its interest in Bramalea, another ailing Canadian property developer.

Proceeds from the disposals will be used to fund growth and to reduce long-term debt totalling $2.3bn. Last year's restructuring eliminated $1.1bn of debt, but a sizeable portion of what remains is due over the next 2-3 years.

The year-end has been changed to December 31, and results are now reported in US dollars. Net income for the five months to Dec 31 last year was $17.4m, or 16.9 cents a share. Cash flow from operations totalled $36.3m. Comparisons with earlier periods are meaningless.

Trizec said that rents in all its markets have strengthened in recent months and that interest in real estate among institutional investors has improved, especially in the US.

The company recently moved its head office from Calgary to Toronto. It also announced several management appointments, including a new chief financial officer and a head of its US office properties group. The president of its US retail properties group recently resigned.

MFS tumbles deeper in the red

By Maggie Urry in New York

Heavy start-up costs weighed on MFS Communications, provider of telephone services to US business and government customers in competition with local exchanges, causing a net loss in the fourth quarter of 1994 of $59.2m compared with a loss of $3.9m in the same period of 1993.

The net loss for the year was $151m, up from $15.8m in 1993. The net loss per share was 94 cents, against 6 cents, for the final quarter and $2.42, up from 30 cents, for the year.

Rapid expansion and acquisitions brought strong revenue growth. In the fourth quarter sales were $102m, up from $38.3m, and for the year revenue totalled $287m, compared with $141m.

During the year MFS increased the number of metropolitan areas in which it operates from 14 to 30, including London, Frankfurt and Paris. Another 12 are under development.

MFS said the losses reflected higher depreciation and interest charges related to "the accelerated network expansion programme".

Capital expenditure during the year totalled $380m, compared with $135m in 1993.

The telecommunications division accounted for 80 per cent of revenues in 1994, up from 50 per cent in 1993, partly due to acquisitions.

Revenues for the year from this division were $229m, up from $70m. At the year-end monthly recurring revenue was running at an annual rate of $380m.

The other division, network systems integration, saw a decline in sales to third parties of 19 per cent in the last quarter to $14.7m, and an 18 per cent fall for the year to $58m. MFS said this was due to an increased focus on design and construction for its own networks.

At the year-end, though, orders from third parties were up 16 per cent.

Charges take toll on Fruit of the Loom

By Richard Tomkins in New York

A series of charges caused by reorganisation costs took Fruit of the Loom, the US underwear and casual clothing company, into net losses of $43.7m in the fourth quarter, compared with net profits of $61.6m last time.

Sales jumped by 30 per cent to $584m, but the charges left the company with losses per share of 58 cents compared with earnings of 81 cents last time. For the full year, net profits fell to $60.3m from $207.5m.

Mr William Farley, chairman and chief executive, said several actions were taken in the fourth quarter to reduce costs, increase efficiency and improve the company's competitive position.

Earnings were hit by charges reflecting the consolidation of the company's licensed sportswear operations; increased inventory provisions resulting from a decision to drop slower-moving and less profitable products; and charges incurred as a result of the devaluation of the Mexican peso.

Mr Farley said the domestic T-shirt business and the fleece and underwear businesses had excellent results in the quarter. "A positive economic outlook in the US and Europe, new products, added capacity and improved distribution should allow us to record strong revenue growth in 1995 as well," he said.

However, profitability was still far below the level the company was capable of achieving. "Consequently, we are making every effort to return the company to the levels of profitability it experienced historically," Mr Farley said.

Fund criticises DnB

By Karen Fossli in Oslo

The Bank Investment Fund, which administers the Norwegian government's shareholdings in commercial banks, has criticised the 1994 dividend proposed by Den norske Bank, Norway's largest commercial bank. The state holds a 72 per cent stake in DnB.

The state-backed fund is expected to seek a higher payout at a meeting scheduled for March 21. Analysts suggested that if the fund's demands were not met, it could seek to unseat DnB's board at the annual shareholders' meeting on April 14 and demand board representation.

The government and DnB and Christiania Bank, the second largest bank in which the state holds a 69 per cent stake, have been embroiled in the dividend dispute. The row is set to intensify because the state's dividend demands have been ignored by DnB and are expected to be defied next week by Christiania.

The government has called for a dividend payout ratio of 50 per cent of net profits, but on Tuesday DnB rejected the demand and proposed a dividend equivalent to a payout ratio of about 30 per cent.

The bank reported record pre-tax profit of NKr2.69bn ($405m) for 1994, a near three-fold increase over 1993 profits.

Ms Ellen Moe, BIF chairman, said while the fund was pleased by the bank's result the dividend proposal fell considerably short of expectations.

DnB maintains the proposed dividend will allow it to build up its finances and increase the core capital ratio to 7.4 per cent from from 5 per cent in 1993. But Ms Moe argued that even if DnB met the state's dividend demand, the bank's core capital ratio could still rise to between 6-7 per cent of risk-weighted assets.

However, Mr Bjoern Skogstad Aamo, managing director of the Banking, Securities and Insurance Commission, the industry watchdog, said yesterday the state's dividand demand was not advisable for 1994 because DnB's results were heavily influenced by non-recurring loan loss reversals.

Campbell Soup ahead

By Richard Tomkins

Campbell Soup, the US food company that recently completed the $1.04bn acquisition of Pace Foods, the world's biggest maker of Mexican-style hot sauces, reported a 13 per cent increase in net income to $231m for its second quarter to January.

Mr David Johnson, chairman and chief executive, said he was comfortable with analysts' predictions that earnings per share would reach $2.80 for the full year, up from $2.51 last time.

Second-quarter sales rose 8 per cent to $2.04bn and earnings per share, lifted by stock repurchases, rose 15 per cent to 93 cents. Net income for the first six months was up 16 per cent at $428m.

In the US, warm winter weather caused a 0.5 per cent decline in soup volumes, but other products did well, and operating profits climbed 9 per cent to $272m.

Soup volumes outside the US grew 6 per cent in the quarter and 12 per cent for the first half, with strong gains from Canada, Mexico, Asia and exports from the UK. This helped international groceries increase operating profits 13 per cent to $40m.

NEWS DIGEST

Surge in building lifts Holzmann output by 11%

Philipp Holzmann, one of Germany's largest construction companies, yesterday reported a rise of 11 per cent in domestic output for the year to the end of 1994, boosted largely by the surge in building in eastern Germany, writes Judy Dempsey in Bonn.

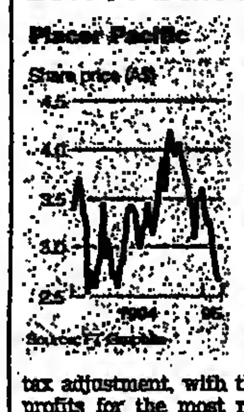
Mr Lothar Mayer, chairman of the board, said Holzmann was planning to increase its base capital, but did not say by how much. He added that the net profits and dividend would be made public in May when the group announces its full results.

Yesterday's preliminary results follow unsuccessful attempts by Hochtief, the country's largest construction company, to increase its stake in Holzmann to 35 per cent.

Total group construction output rose by 5.4 per cent to DM14.2bn ($9.38bn) last year from DM13.8bn in 1993. Domestic output increased by 10.8 per cent, to DM9bn from DM8.17bn over the same period.

Domestic business made up 69 per cent of Holzmann's total volume, an increase of 3 per cent on the previous year. Business in eastern Germany accounted for 40 per cent of its total domestic construction volume in 1994.

Placer Pacific ahead 18.7% before abnormals



Helped by lower costs and depreciation charges, Placer Pacific, the Australian-listed company which is controlled by Canada's Placer Dome, yesterday announced an 18.7 per cent increase in profits before abnormal items, to A$153.9m (US$114.5m), for 1994, writes Nikki Tait in Sydney. However, the 1993 figures were lifted by a large abnormal tax adjustment, with the result that after-tax profits for the most recent 12 months were A$84.1m, down 23.7 per cent from the previous year's A$110.3m. Total operating revenue was A$531.3m against A$537.4m.

The company said that its share of gold production fell to 795,124 ounces in 1994, from 829,064 ounces in the previous year, and that it expected a further slip in 1995 due to lower grades.

Its share of production at the large Porgera goldmine in Papua New Guinea, where it has a 25 per cent stake, fell to 255,050 ounces, from 302,147 ounces previously.

PBL to 'co-operate' over Fairfax

The Australian Broadcasting Authority, which is considering whether recent purchases of shares in John Fairfax, the Australian newspaper publisher, by Mr Kerry Packer's Publishing and Broadcasting group (PBL) breach media cross-ownership rules, said yesterday that PBL "has indicated that it will co-operate with the ABA and has also provided details of Fairfax interests held by connected companies," writes Nikki Tait.

Fairfax shares gained another six cents yesterday, to A$2.70, in fairly heavy trading, with Mr Packer thought to be adding to his stake. On Tuesday, PBL said that it held 13.7 per cent of Fairfax's ordinary shares, compared with 12.8 per cent previously.

However, if non-voting convertible debentures, also owned by interests connected to Mr Packer, are added the Australian businessman's potential economic interest rises to 16.4 per cent.

Because of Mr Packer's TV interests, the country's media cross-ownership rules would appear to peg the permitted Fairfax stake at 15 per cent – although Mr Packer is expected to argue otherwise.

Nordlandsbanken posts sharp decline

Nordlandsbanken, a medium-sized Norwegian commercial bank, yesterday reported a fall in 1994 profit to NKr50.27m ($7.56m) from NKr97m in 1993. It blamed a cut in net interest income and a sharp decline in non-interest income, writes Karen Fossli.

Net interest income fell by NKr13.7m to NKr366.1m while non-interest income dropped more than three-fold to NKr61.37m from NKr204.2.

The bank suffered losses of NKr49.37m on securities last year, against gains of NKr111.37m in 1993. Foreign exchange gains fell to NKr17.54 from NKr19.41m.

Group operating expenses rose by NKr12.15m to NKr294.02m but losses on loans and guarantees plunged to NKr74.45m – the lowest level since 1987 – from NKr174.16m.

Operating profit was cut to NKr59.15m from NKr99.44m, but Nordlandsbanken is proposing an unchanged dividend of NKr5.

Japanese retailer buys Honolulu mall

Daiei, Japan's largest retailer, will acquire Ala Moana Shopping Centre, a large shopping mall in Honolulu, Hawaii, by the end of next month, reports Emiko Terazono in Tokyo.

The supermarket chain, which already owns a 60 per cent stake, will buy the remaining 40 per cent from Equitable Life Assurance Society, a leading US life assurance company, for about Y30bn ($310m).

Ala Moana, comprising 140,000 square metres with 210 stores, is one of the favourite tourist spots in Hawaii. It had operating revenues of $627m in the year to last September.

Neiman Marcus enjoys good Christmas

A strong Christmas season boosted earnings at Neiman Marcus, the US retailer, to a record for its second quarter, which ended on January 28. Net income in the quarter was $26.5m, up from $21.5m. Earnings per share were 51 cents, up from 37 cents, writes Maggie Urry.

That takes first-half net income to $46.3m, against $36.7m, and earnings per share to 84 cents from 58 cents.

The Neiman Marcus stores had "an outstanding holiday season," said Mr Robert Tarr, president and chief executive. However, the NM direct mail order business suffered weak clothing sales and earnings fell.

The group's Bergdorf Goodman stores generated "substantially higher operating earnings" from increased sales volumes. The third division, the Contempo Casuals chain, which had been subject to restructuring and store closures last year, "generated a small operating profit for the quarter compared with an operating loss a year ago," the company said.

Even so, Mr Tarr said, sales in comparable stores were still declining and would need to rise if the chain was to meet its second half targets.

Ahold and Allkauf in Polish venture

Ahold, the Dutch-based food retailer, and Allkauf, the German retail group, are working on setting up a joint venture to penetrate the Polish retail market, writes Ronald van de Krol in Amsterdam.

The companies said further details would be available at the end of March but added that initial operations in Poland were expected to get under way in the spring, possibly through partnership with local Polish retail companies.

Ahold and Allkauf said they planned to develop several retail formats in Poland.

Ahold, which is active in supermarkets in the Netherlands, the US and Portugal, is also building up a supermarket chain in the Czech Republic. Allkauf's operations in Germany include 20 hypermarkets in east Germany.

Banque Indo-Suez opens third branch in China

Banque Indo-Suez, the French-owned bank, yesterday opened a branch office in Guangzhou, southern China, writes Tony Walker in Beijing. This is the bank's third branch in China and reflects its focus on Asian business.

Mr Jean-François Lepetit, chief executive officer of Banque Indosuez, said the opening of the Guangzhou branch was part of continuing attempts to "upgrade our presence in China".

The bank established a branch in the Shenzen special economic zone next to Hong Kong in 1985, and in Shanghai in 1991. It hopes to convert its representative office in Beijing to a branch when that becomes possible.

W. I. Carr, Banque Indosuez's merchant banking subsidiary, has applied to establish an office in Shanghai. It holds a special seat on the Shanghai Stock Exchange.

Banque Indosuez shifted responsibility for its China operations from Hong Kong to Shanghai at the beginning of this year as part of its attempts to sharpen its China focus.

Mr Lepetit was confident about business prospects in China in spite of present political and economic uncertainties connected with the leadership transition.

Profits at BPI slip to Es7.94bn

Banco Português de Investimento, Portugal's leading investment bank, yesterday reported a 1.8 per cent fall in net consolidated profits to Es7.94bn ($50.2m), against Es8.09bn in 1993, writes Peter Wise in Lisbon.

It blamed a reduction of Es4bn in earnings from financial operations, compared with 1993, and Es600m less in extraordinary profits.

BPI announced a 1994 dividend of Es100, against Es140 in 1993 which, it said, represented an improved payment after taking into account a capital increase in early 1994.

Non-performing loans more than 90 days overdue fell to 4.9 per cent of total loans for the group, which includes Banco Fonsecas e Burnay, a small retail bank. The level for BPI itself was 0.8 per cent.

Operating loss widens at Greyhound Lines

Greyhound Lines, the struggling US bus company, reported a severe downturn in its fourth-quarter financial performance with operating losses climbing to $38.3m from $2.5m, writes Richard Tomkins.

Net losses fell to $5.4m from $6.4m, but this was because of extraordinary gains resulting from a financial restructuring that pulled it back from the brink of bankruptcy at the end of last year.

Net losses for the full year were $77.4m, compared with net income of $7.5m last time.

Mr Craig Lentzsch, chief executive, said passenger numbers appeared to be rising in response to changes in marketing and cuts in fares, and Greyhound hoped to benefit from rail cuts recently announced by Amtrak. However, Mr Lentzsch said it would take up to two years to complete the restructuring.

Daewoo to launch reorganisation

By John Burton in Seoul

Daewoo, one of South Korea's largest industrial groups, yesterday announced that it would conduct a structural reorganisation by 1997 in response to government pressure for the country's conglomerates to streamline their operations.

It will cut the number of group subsidiaries to 14 from 21 and introduce a decentralised management structure.

Mr Kim Woo-choong, Daewoo chairman and founder, will reduce his managerial role to supervising an ambitious expansion of car production, which will complement the group's main activities in shipbuilding, electronics, construction and securities.

Daewoo also plans to meet new strict government criteria for the dispersal of share ownership and financial soundness that will enable it to escape state-imposed capital borrowing restrictions, which were introduced to curb the growth of the country's top conglomerates, or chaebol.

The group will reduce the amount of closely-held shares held by Mr Kim and Daewoo subsidiaries from 42.4 per cent to less than 20 per cent by 1997, while increasing its equity-to-asset ratio from 26.6 per cent to 50 per cent by the year 2000.

The Daewoo reorganisation follows similar plans recently announced by Samsung and Hyundai, but goes further in terms of meeting state targets on wider shareholding and financial strength.

The restructuring will include the sale of four minor subsidiaries, including Koram Plastic, Korea Industrial Systems, Daewoo Electric Motor Industries, and Kyungnam Metal. Daewoo will give up its majority stake in Dongwoo Management Consulting.

Daewoo will increase listed subsidiaries from eight to 11 through public offerings for Daewoo Motor, Daewoo Automotive Components and Daewoo Information Systems by 1997. It will also merge Orion Electric Components with Orion Electric, and Daewoo Electronic Components with Daewoo Electronics.

The Daewoo reorganisation announcement comes shortly before the government introduces new financial restrictions on the leading chaebol on April 1. The government is attempting to force the chaebol to streamline their sprawling operations and specialise in a few industrial sectors, while weakening cross-holding arrangements within the groups to reduce the dominance of the chaebol in the Korean economy.

However, Mr Chey Jong-hyon, the head of the Federation of Korean Industries that represents the chaebol, harshly criticised the government's reform policy earlier this week.

"In the era of globalisation the government is trying to regulate big business groups with a policy reminiscent of the era of Thomas Edison," said Mr Chey.

The reforms would hinder the ability of Korean conglomerates to diversify into new high-growth sectors, while financial restrictions would harm the groups' international competitiveness, he claimed.

Efforts to diffuse the equity ownership of the chaebol, which are concentrated in the hands of founding families, are "just as outdated as that of specialisation" because "the structure of equity ownership does not matter", Mr Chey said.

Kim Woo-choong: supervising expansion of car production

Earnings at WMC more than doubled

By Nikki Tait in Sydney

Shares in Western Mining Corporation, one of Australia's largest mining companies, jumped sharply yesterday after the group announced an equity-accounted profit after tax but before abnormals of A$140.9m (US$104.84m) during the six months to December.

With the results exceeding most analysts' forecasts, WMC shares rose 30 cents to A$6.90. The company promised an even stronger performance in the second half.

The first half result compared with A$66.3m in the corresponding period of 1993-94, and was struck on operating revenue of A$1.03bn, 31.8 per cent higher than a year ago. Earnings per share, on a fully-diluted basis, increased to 12.9 per cents from 5.7 cents.

The profits jump was largely due a big turnround on the nickel side, although the gold interests' contribution also rose significantly and Olympic Dam copper/uranium business and the petroleum side also posted higher results.

The nickel division turned in an operating of profit of A$81.5m, compared with a A$20.5m loss last time. WMC said that the US dollar price realised was almost 60 per cent higher than a year ago, and averaged US$3.06 a lb. Volumes sold were 56.7 per cent higher at 36,240 tonnes – in large part, a result of WMC's capacity expansion implemented during the recent doldrums.

On the gold side, operating profits rose to A$57.4m from A$32.8m, with WMC's gold sales for the six months rising 10.2 per cent, to 429,000 ounces. The Olympic Dam operation saw a profit of A$38.3m, up from A$36.8m, with the effect of higher copper prices being offset by lower volumes sold and a lower realised uranium price. The petroleum interests contributed A$12.1m against A$2.9m.

The contribution from Alcoa of Australia, in which WMC held a 48.25 per cent interest during the first half, fell to A$66.3m from A$89.6m, due to lower US dollar prices and the effect of the stronger Australian dollar.

The complex deal between WMC and US-based Alcoa, which will see WMC's stake in Alcoa of Australia fall to 39.25 per cent but give it 40 per cent in a range of international bauxite and alumina interests owned by the US company, took effect in January.

Net interest earned was A$4.7m in the half-year, compared with a A$5.7m charge last time. However, the provision for grass roots exploration rose significantly, to A$43.3m from A$30.2m, largely due to oil drilling in Malaysia.

CS First Boston to stop marketing equities in Tokyo

By Gerard Baker and Emiko Terazono in Tokyo

The prolonged slump in the Japanese stock market claimed another victim yesterday when CS First Boston, the US-based investment bank, announced that it was withdrawing from marketing of equities in Tokyo.

The company said the move reflected depressed trading conditions in the last few years as the Tokyo equity market continues to stagnate.

The decision to close the Japanese research-based equities operation is part of a global restructuring announced by the company's board of directors on Monday.

"This decision is very regrettable, but it is based on a CS First Boston group global strategy to specialise in our niche businesses," said Mr Toyoharu Tsutsui, the branch manager of CS First Boston (Japan).

The company said it would continue with its equity-related derivatives business as well as fixed income activities. It intends to maintain its seats on the Tokyo and Osaka stock exchanges and will continue to take stock orders on an unsolicited basis.

"We were just told this morning, although we weren't given all the details," said one stunned analyst at the company, "but with other companies leaving Tokyo it will be hard to find another job."

CS First Boston (Japan) recorded the fifth-highest operating revenue of all foreign brokers in Japan in the year to March 1994. A healthy performance in the bond market, where the company is particularly strong, helped it to return profits of Y3.6bn ($36.5m), against a loss of Y27.0bn in the previous year.

The company is the third foreign broker to announce its withdrawal from equity sales in Tokyo in the last six months.

Last autumn, Kidder Peabody and Prudential of the US both closed their Tokyo equity operations completely. Their seats on the Tokyo Stock Exchange are to be taken by Smith New Court and Paribas Capital Markets.

Since the heady days of the financial boom of the 1980s, the Japanese stock market has been in steep decline. Equity trading volumes, which averaged 1bn shares a day in 1989, plummeted to just 350m shares a day last year. In the last four months, volumes have fallen further, to around 280m shares a day.

Foreign analysts estimate that it is now highly unlikely that any foreign institution is making money in Japanese equity operations because of these low volumes.

Much of the business of foreign companies is in equity sales to foreigners, and in spite of an increase in foreign buying in the last few weeks, overall foreign interest in Japanese stocks remains weak.

In the past, most foreign companies in Tokyo were eager to be represented in all the principal securities fields, but the CS First Boston move represents a shift to a more specialised approach.

"Between the domestic and foreign brokers, there's just too much competition," said one official at a European institution in Tokyo.

The decision by CS First Boston will heighten concerns about the prospects for the Tokyo market. Since the downturn began only a few foreign companies have left the sector, and no domestic brokers have closed at all, in spite of the fact that only a handful are currently making profits.

"There is no doubt that the current capacity in the market was appropriate for the boom years, said one broker yesterday, "but it is now excessive, and there is clearly a long way to go before it is fully eliminated."

Giordano advances to HK$195m

By Simon Holberton in Hong Kong

Giordano, the Hong Kong-based Asian fashion retailer, yesterday slightly exceeded expectations when it reported a 42 per cent advance in net profit to HK$195.3m (US$25.26m) in the year to December, compared with HK$137.6m a year earlier.

Profit was struck on a 22.6 per cent growth in turnover to HK$2.8bn from HK$2.3bn. Earnings per share advanced 40 per cent to 30.9 cents from 22 cents in 1993.

A final dividend of 7.5 cents will be paid which, together with the interim of 3.5 cents makes 11 cents for the year – up 22 per cent on 1993.

Analysts praised Giordano's ability to improve net margins at a time when some of its main markets, such as Hong Kong, were experiencing difficulties. Net margin rose to 6.8 per cent from 5.8 per cent in 1993, although some questioned whether this could be sustained.

Mr Kent Chan, retail analyst at Salomon Brothers, said Giordano's focus on margins instead of sales in 1994 had proved successful. Mrs Kate Newman Mack, retail analyst at Kleinwort Benson Securities Asia, went further, claiming that Giordano was alone in 1994 in showing an improvement in margins.

Last year marked the turnround for Tiger Enterprises, the company's business in China. China operations produced a profit of HK$20m compared with a loss of HK$69m in 1993. During the year Giordano moved to increase its control of Tiger to 51 per cent of its capital.

Giordano's policy in China is to take cash before the delivery of goods; this way it avoids the problems of bad debts which plague Chinese industry.

Canon benefits from solid demand

By Michiyo Nakamoto

Canon, the Japanese maker of cameras and office equipment, yesterday said that the worldwide strength of demand for computer equipment coupled with its own cost-cutting measures had helped it to increase recurring profits – before extraordinary items and tax – by 44 per cent in the fiscal year to December 31.

Recurring profits climbed to Y53.9bn ($546m) from Y37.4bn in 1993, in spite of the continuing rise of the yen and a sluggish domestic market.

Sales rose 4 per cent to Y1,078bn from Y1,037bn and net profits were 32 per cent up to Y26.7bn, compared with Y20.3bn.

Canon was able to benefit from the strength of computer demand during the period, which supported increased sales of many of its products.

For example, demand for semiconductor production equipment rose on the back of strong semiconductor demand worldwide, which was in turn driven by buoyant computer sales. As a result, sales of steppers, used in making semiconductors, rose about 53 per cent in the year, Canon said.

In Japan, in spite of a moderate recovery in consumer spending, the company continued to face lacklustre market conditions as capital investment remained at low levels.

Markets in the US and Asia were firm but Canon, in line with other Japanese exporters, suffered from the impact of the high yen.

Canon has, however, been successfully shifting production overseas, raising efficiency and cutting costs in a corporate restructuring programme which shaved Y54.5bn from costs during the year.

The company expects conditions to improve this year in Japan and Europe while the US market is likely to remain buoyant.

It is forecasting a 5 per cent rise in sales to Y1,130bn in 1995 and an 11 per cent increase in recurring profits to Y60bn. Net profits are forecast to rise 27 per cent to Y34bn.

Film side holds back progress at Sony

By Michiyo Nakamoto

The continuing weak performance of its motion pictures business, coupled with the strength of the yen, is still weighing heavily on Sony, the Japanese electronics and entertainment group, but it still reported a moderate increase in third-quarter pre-tax profits.

Sony managed to post an increase of 4.8 per cent in consolidated pre-tax profits to Y59.2bn ($600m) for the three months to end-December. Net profits were up 50 per cent to Y25.3bn.

The recovery came on the back of a pick-up in sales to Y1,143bn from Y1,067bn. Sales of electronic products were particularly firm in its main markets, in spite of the strengthening of the yen during the period.

Television sales rose 16 per cent as Japanese consumers were attracted to the new format wide-screen TVs. Sales of other products, such as rechargeable lithium ion batteries used in portable electronic products, the company's new video games machine called the PlayStation, telephones and semiconductors also contributed significantly to overall sales.

Results from the entertainment businesses were mixed, with a 4 per cent increase in revenues from the music side contrasting with a 11 per cent decline in the pictures group.

Sony blamed the rising yen in part for the poor performance by its pictures division, but admitted that disappointing box office results from several films released during the quarter were also to blame. Even on a local currency basis, the pictures group saw revenues fall 5 per cent.

The yen's rise, however, continued to dampen sales. Sony said that the yen's average 9 per cent appreciation against the dollar and 3 per cent rise against sterling restricted its sales growth during the third quarter. If the yen had remained the same as in the previous third quarter, consolidated sales would have seen an increase estimated at Y52bn over the reported figure.

In the year to March, Sony expects to post a group operating loss of Y160bn and a pre-tax loss of Y205bn due to a write-off in the second quarter of Y285bn in goodwill associated with the pictures group. The consolidated net loss is forecast to amount to Y285bn while sales are expected to increase by 5 per cent to Y3,920bn.

Apec meeting helps Indosat to rise 14.9%

By Manuela Saragosa in Jakarta

Indosat, the Indonesian state-controlled telecommunications company which was partially listed in New York and Jakarta in October last year, said full-year 1994 net profit rose 14.9 per cent.

It attributed the growth to an expansion in the country's international telephone traffic.

Net income rose to Rp289bn ($131m) from Rp251.5bn a year earlier, while revenues climbed 18.8 per cent to Rp909.3bn.

Earnings were lifted by Indonesia's hosting of the Asia Pacific Economic Co-operation meeting at Bogor in November last year. Indosat installed hundreds of additional lines during the conference for ministers and journalists from abroad who attended the meeting. The meeting of Opec in Bali soon after also helped lift revenues.

Earnings per share in 1994 were Rp303.1 and $1.38 per American Depositary Share in New York.

Each ADS represents 10 ordinary shares.

● Telecom New Zealand, controlled by Bell Atlantic and Ameritech of the US, increased third-quarter earnings by 17.4 per cent to NZ$158m (US$100m) on the back of strong growth in operating revenues from cellular and network services and from rising demand from local and international markets, writes Terry Hall in Wellington.

Net earnings for the nine months to December 31 were up 16.9 per cent to NZ$451.2m.

Mr Roderick Deane, chief executive, said the company expected continued strong growth in revenues, spurred by yesterday's announcement that its Pacific Star Mobile subsidiary had become the first independent provider of services to the cellular network of Telecom Australia.

Strong sales growth lifts Metro Pacific 28%

By Edward Luce in Manila

Metro Pacific, the Philippine flagship of First Pacific, the Hong Kong-based conglomerate, announced yesterday that net profits for 1994 rose 28 per cent in 1994 to 235.4m pesos ($9.47m) on turnover 49 per cent higher at 8.8bn pesos.

The results were buoyed by high sales growth in the company's packaging, bottled water and cocoa subsidiaries.

Earnings per share in 1994 rose to 13.67 centavos from 13.60 centavos in 1993.

The recent signing of a memorandum of understanding with, among others, Japan's Nippon Telegraph and Telephone allowing Metro to enter the Philippine cellular phone and local exchange sector had improved Metro's prospects for long-term earnings growth, said Mr Ricardo Pascua, Metro Pacific president.

This week a consortium led by Metro Pacific paid the first half of the 39bn peso bill for the purchase of the 117-hectare Fort Bonifacio former military site in Manila.

Metro shares closed steady yesterday at 3.30 pesos while the Manila stock exchange composite index dropped by 40 points.

LEGAL NOTICES

IN THE HIGH COURT OF JUSTICE No. 6010 of 1994
CHANCERY DIVISION
COMPANIES COURT

IN THE MATTER OF
ENGLISH & AMERICAN INSURANCE COMPANY LIMITED
and
IN THE MATTER OF
THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that on 15 December 1994, the Scheme of Arrangement between English & American Insurance Company Limited (the "Company") and its Scheme Creditors (as defined in the Scheme of Arrangement) was approved by Scheme Creditors.

On 25 January 1995, the High Court sanctioned the Scheme of Arrangement as approved by Scheme Creditors.

On 31 January 1995, the United States Bankruptcy Court for the Southern District of New York granted a permanent injunction order under section 304 of the United States Bankruptcy Code, providing for the enforcement of the terms of the Scheme of Arrangement in the United States.

On 8 February 1995, the High Court ordered that the winding-up petition presented against the Company be dismissed and the appointment of provisional liquidators to the Company be terminated.

On 8 February 1995, the order made in the High Court sanctioning the Scheme of Arrangement was delivered to the Registrar of Companies in England for registration. The Effective Date of the Scheme of Arrangement is therefore 8 February 1995.

Anthony James McMahon and Roger Smith, partners in the firm of chartered accountants, KPMG, and formerly the joint provisional liquidators of the Company, were appointed Scheme Administrators on 10 February 1995.

The members of the initial Creditors Committee are:

The Institute of London Underwriters
The International Policyholders Association
Lloyd's Insurance Brokers Committee
Lloyd's Underwriters' Association
Participant Run-Off Limited
Fireman's Fund Insurance Company
Dow Corning Corporation
Hill Wynne Troop & Meisinger
Anderson Kill Olick & Oshinsky
Policyholders Protection Board

Dated: 10 February 1995

Clifford Chance
200 Aldersgate Street
London EC1A 4JJ

Solicitors to:
Anthony James McMahon and Roger Smith
Scheme Administrators of the Company

INTERNATIONAL COMPANIES AND CAPITAL MARKETS

Banesto reports Pta12.5bn loss for 1994

By Tom Burns in Madrid

Banco Español de Crédito (Banesto), the troubled Spanish bank, suffered net losses of Pta12.5bn ($95.4m) in 1994, in line with estimates.

The bank was rescued by the domestic financial sector last year and acquired by Banco de Santander.

In the first half of last year, Banesto posted losses of Pta21.8bn, while in the last six months it recorded net profits of Pta9.3bn.

The strong second-half recovery reflected the benefits of the rescue package and improved management control under the bank's new owner.

Mr Alfredo Sáenz, appointed chairman of Banesto following the Bank of Spain's intervention in December 1993 and confirmed as chief executive by Santander after its purchase of the bank in April 1994, said there had been "two distinct phases" last year.

Operating banking income in the first half of 1994 showed a loss of Pta6.8bn and a profit of Pta17.3bn in the second half, to give a full-year operating profit of Pta10.5bn.

Last year's results were not comparable to those of 1993, when Banesto's losses were put at Pta577bn. Its then chairman, Mr Mario Conde, was ousted by the Bank of Spain after an official inspection revealed that Banesto had over-valued its assets.

The turnround last year was largely based on the rescue package. This involved a Pta180bn capital injection, the purchase of Pta285bn of non-performing assests by the Deposit Guarantee Fund (the state-run scheme which uses contribntions from the country's banks to insure deposits) and a Pta315bn soft loan over four years to offset current losses.

In addition to a management drive centred on bad debt recovery, the bank's finances were bolstered by reduced costs and disposals of industrial assets.

Mr Sáenz told the annual meeting yesterday the institution would concentrate on core banking activities, aimed almost exclusively at the domestic market. Its chief asset is its extensive network of 2,246 branches.

Mr Sáenz expects Banesto to post profits of some Pta20bn from ongoing ordinary banking activities this year. It will also earn a further Pta20bn from the realisation of capital gains from the sale of its 50 per cent holding in the Portuguese bank Banco Totta e Açores.

But Banesto would not be able to pay a dividend before 1998, said Mr Sáenz, until it had built up reserves from zero. In addition it would not be "ethical" to pay a dividend while Banesto was receiving the support of a soft loan.

Santander has reduced the 60 per cent stake of Banesto that it bought in April last year to just under 50 per cent after placing equity with Santander shareholders and with a core of friendly institutions, including Royal Bank of Scotland and the US banks J.P. Morgan and First Fidelity.

Softbank goes from strength to strength

An atypical management approach is behind the group's success, writes William Dawkins

Everything about Mr Masayoshi Son and the company he founded 14 years ago, Softbank, Japan's largest computer software distributor, challenges the staid traditions of Japanese management culture.

His directness, Softbank's share incentive scheme, and the lack of strict hierarchy are a striking contrast to the deferential ways and seniority-based salaries that are the cliché of Japanese management.

Mr Son's hero is Mr Bill Gates, chairman of Microsoft, the world's largest software company. "He's never satisfied; he is always looking for more. Gates knows how to get things done," says Mr Son, president of Softbank.

Softbank is the best known of a new generation of small, high-technology companies that have introduced fresh management ways to Japan in recent years.

Its experience is illustrative of why the barriers to entrepreneurship, even in modern Japan, are still higher than in other leading economies.

Mr Son has found that these barriers – more government regulation than ingrained business culture – have slowed but not prevented Softbank's progress from two part-time workers in 1981 to 630 staff now.

In the year to March, it estimates net profit of about $20m on turnover of nearly $900m, representing 50 per cent of Japan's retail-software market.

Softbank's rise shows that Tokyo's over-the-counter market in shares, widely accepted as a precondition for a thriving small business community, is working well.

The company is one of the top performers of the record 107 companies which joined the junior market last year, nearly twice as many as in 1993.

The rise in its share price from $111 at last July's flotation to about $165 has made Mr Son, owner of 70 per cent of Softbank, worth about $2bn on paper. It has also created several millionaires in dollar terms among his top executives, and helped the company fund an acquisition spree.

Bolstered by the $200m it raised from the flotation, Softbank made its first takeover at the end of last year, paying $202m for Ziff-Davis Exposition and Conference, a US trade show company. It narrowly failed to buy the parent, Ziff-Davis Publishing.

On Monday, Softbank spent $800m on the computer trade show of Interface, a US exhibition group, to be funded by a mixture of new equity and bank borrowing.

The funding details have yet to be worked out, but it looks as if Softbank will be tapping the OTC for Y30bn ($304m), the largest new share issue on Japan's junior market.

Yet Japan's OTC is not working as well as it could for Softbank. Mr Son had to wait, by government decree, for five years for his flotation, which was badly needed to raise equity to reduce the company's dependence on bank loans.

Masayoshi Son: 'I want people with a passion for technology'

All flotation candidates have to stand in a finance ministry queue which rations new issues, one of the several ministry methods of putting a floor under equity prices.

By chance, the queueing system helped Softbank, saving it from the 1990 stock market collapse.

But Mr Son speaks for many aspiring entrepreneurs when he dismisses the queueing system as "ridiculous".

The OTC's rules are designed to limit new entrants to those companies seeking development, rather than start-up capital. The provision of seed capital is left to Japan's tiny venture capital market.

Mr Son believes it is unlikely that he would have found seed capital in Japan, and so raised money in the US.

His first capital came from a pocket translator he invented, with the help of his professor, while an economics student at the University of California in the 1970s. Mr Son sold the patent for $1m to Sharp, the Japanese electronics company.

The deal helped Mr Son find further funding when he returned to Japan in 1981.

Japanese banks rarely lend on earnings forecasts, preferring instead cash or property collateral. But the word of a senior Sharp exechtive, involved in the purchase of the translator patent, persuaded Dai-Ichi Kangyo, the Japanese bank, to lend Mr Son $750,000 without collateral.

Finding dedicated and entrepreneurially-minded Japanese staff has, says Mr Son, been surprisingly easy. Mr Son is something of an outsider: he is of Korean descent, and faced several years of wrangling with the government to obtain Japanese citizenship. He has sought out other outsiders, avoiding graduates of the top universities, for example, on the grounds that energetic people are more likely to be found outside the establishment.

Employees' sense of independence is supported by Softbank's organisation into groups of 10 staff, each with their own profit and loss account, updated daily.

Softbank's remuneration is high by Japanese standards, with profit bonuses in some cases rising to $300,000 a year above base salary. However, Mr Son never discusses money with recruits until they accept the principle of working for Softbank.

"I want people with a passion for emerging technology, I want them to feel that we are all taking part in a revolution. They must believe; they must be aggressive," he says.

Human nature being what it is, however, people need more than the faith in the founders' vision to motivate them.

Share incentives, almost unheard of in Japan, have been crucial. Softbank shares equivalent to the value of the previous year's profit increase – $10m this year – are handed out at a nominal price to the heads of the group's 60-odd profit centres. Such schemes are not easy to operate in Japan, where there is a legal ban on companies owning their own shares. The only way that Mr Son can get around this restriction is to distribute shares from his personal stake.

Unless Japan makes share incentives easier, it will, he says, remain "like a socialist country", in which entrepreneurially-minded managers will find little future for themselves.

Profits drop 14% at Thai Airways in first quarter

Thai Airways International, Thailand's national airline, saw a 14 per cent decline in net profit, to Bt931.7m ($37.3m) in the first quarter to December 31 1994, compared with Bt1.09bn in the year-earlier period, AP-DJ reports from Bangkok.

Total revenne rose to an estimated Bt17.8m in the quarter, np 13 per cent from Bt15.8m in the year-earlier quarter.

Expenses rose 12 per cent to Bt16.5m from Bt14.7m.

However, these gains were masked in the net result by a steep drop in concession income (the difference between the list price and the lower, purchase price of capital items such as aircraft and parts).

The airline booked an estimated Bt13m in concession income in the latest quarter, down 98 per cent from Bt762m a year earlier.

Thai Airways books such differences as income.

The airline recently changed its accounting policy to book this unearned income over 14 years instead of as a lump sum in the quarter in which the purchase was made, resulting in the sharp decline in such bookings.

Analysts said the latest result was in line with expectations.

For the current fiscal year, the airline is forecasting net profits of Bt4bn, up 29 per cent from Bt3.1bn a year earber.

A consensus of analysts' estimates suggests the airline will make about Bt3.2bn in the current year.

The airline's load factor, a measure of capacity utilisation, rose to 70.3 per cent in the first quarter, from 69.6 per cent in the fourth quarter of the previous year, the company said.

Overall, analysts see a region-wide recovery in the airline sector, driven by rising consumer spending and robust economic growth.

Thai Airways is especially well-positioned to benefit from rising regional travel because it derives about half of its revenue from regional routes, one analyst said.

Bankers hail 'total return' concept

By Graham Bowley

Investment bankers keen to *package commodities as a* respectable asset class for long-term investors have been unruffled by last week's sharp drop in base metal prices.

They point to the concept of "total return", devised to show that, like bonds and equities, commodities can offer yields as well as short-term price speculation.

Many in the derivatives industry think this concept, devised by Goldman Sachs in the late 1980s after it recognised that the large oil trading houses were making big profits hy carrying forward futures positions, will play an important role. It attempts to show that it is best to invest in commodities through the futures markets. By doing so, commodities can offer three types of return: price return, roll return and collateral return.

DERIVATIVE INSTRUMENTS

Mr Neil Bresolin, in charge of commodity investment products at Goldman Sachs in London, says that investors should apply the same principles to commodities as to bonds and equities.

"You don't put cash under your mattress because it loses value," he says; you buy bonds or equities and receive interest or a dividend as compensation for locking up your cash. Simply buying a physical commodity would be the same as putting cash under your mattress.

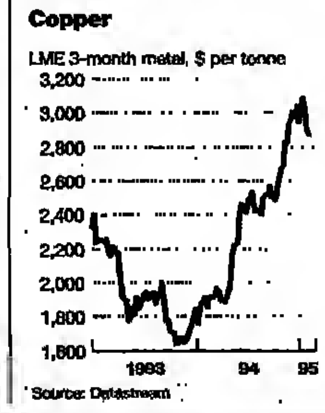
However, buying the future gives investors the chance to gain – or lose – from price changes. This is the price return.

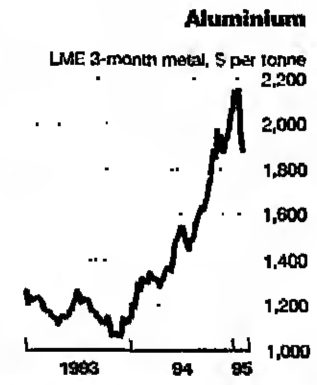
Since a futures contract costs very little, the money an investor would have spent had he bought the physical commodity can instead be invested in money market instruments – called the collateral return.

The third type of return – roll return – is derived from rolling forward existing futures contracts.

The futures contract is often negatively sloped, reflecting the fact that commodity producers are willing to accept a lower future return to remove price risk. If the market price has not changed by the time the contract ends, the investor gains the difference between the actual price and the futures price, and he continues to do so as he continues to roll over the futures contracts. Unfortunately, commodity prices can fall – and so the futures contract will be rolled forward at a loss. The futures curve can also flip and become positively sloped, again incurring a loss.

Last year, the "total return" Goldman Sachs Commodity Index (GSCI) rose by 5.3 per cent, underperforming spot prices which rose by 10 per cent. This was due to the fact that the roll return was negative because the curve was positively sloped. This year the futures curve has been flipping. So far, the GSCI is roughly flat on the year. Industry morale is still high, although confidence will be tested if the recent falls in commodity prices are not simply a blip and base metals in particular cootinue to tumble.





Source: Datastream

New attack on Saatchi founder

By William Lewis

Saatchi & Saatchi has given the Stock Exchange details of confidential information allegedly passed by Mr Maurice Saatchi, the co-founder and former chairman of the troubled advertising company, to a journalist. The company believes the information, allegedly disclosed by Mr Saatchi in January 1994 in a memo to Mr Ivan Fallon, then deputy editor of the Sunday Times, may have broken the Stock Exchange's Model Code.

On Tuesday Saatchi said it had given the exchange details of a share transaction allegedly carried out on behalf of Mr Saatchi which may also have broken Stock Exchange rules.

The Fallon memo came to light following an examination by Saatchi lawyers of thousands of documents and computer files after Mr Saatchi's departure from the company last month.

The costs of running Mr Saatchi's private office have also been estimated. Calculations show that in 1993 costs associated with Mr Saatchi's role as chairman totalled £1.04m.

In 1994, these costs fell to £722,000, but included:

- Salary and related costs of £356,000;
- £13,000 on two Bentley Turbos, one kept in London and one in Cap Ferrat, France; plus a chauffeur with a car;
- £87,000 on travel, meals and accommodation and £46,000 on entertainment.

A friend of Mr Saatchi said yesterday that Mr Saatchi was in negotiations to buy both Bentleys for £41,000. He also said Mr Saatchi had never actually sent the memo to Mr Fallon. "Maurice was just letting off steam when he wrote that."

When the memo was written, Saatchi was in a closed period, before the publication of its 1993 results. In a closed period, the actions of directors of are severely curtailed.

"It may not hava crossed your mind during our conversation yesterday (I hope not) that 1 was exaggerating about the state of affairs here". Mr Saatchi wrote in a memo to Mr Fallon dated January 6 1994. Mr Saatchi wrote that November 1993 management accounts showed operating profits were "below budget by £20m".

Mr Maurice Saatchi's new agency, temporarily dubbed New Saatchi, announced it had won its first two accounts: Mirror Group newspapers and Silk Cut cigarettes, owned by Gallaher, a unit of American Brands. Both are former clients of Saatchi & Saatchi's London agency. Silk Cut has been closely associated with Mr Saatchi's brother, Charles, who is still on the Saatchi & Saatchi payroll.

Saatchi & Saatchi said billings were worth £7.9m and £6.8m respectively, and represented less than 3 per cent of the London agency's billings. It announced new accounts totalling about the same figure as these losses.

Wellcome forecasts sales increase

By Daniel Green and William Lewis

Wellcome fired another salvo yesterday in its battle against a £9.1bn ($14bn) hostile bid by Glaxo, its pharmaceuticals rival, with sales projections higher than expectations.

It said Retrovir, the Aids drug, would recover from the declines of the last two years because of new uses in combination with other drugs. Sales of Lamictal, the epilepsy drug, would increase from £28m in 1994 to £268m in 1998.

Mr John Robb, chairman and chief executive, said tha projections, contained in a response document, were conservative. He called it a "response" document rather than a defence document because he acknowledged that the company would get taken over. "They confirm that Glaxo's bid undervalues the company."

Some of Wellcome's sales projections were higher than estimates by City analysts, including thet for Zovirax, the company's top selling drug, which loses US patent protection in 1997.

There was concern at the assumptions made by Wellcome, particularly that prices and doses of Retrovir would not change in spite of the launch of new products.

Wellcome has also assumed that Retrovir will not get approval for over-the-counter sales in the US, although such approval is an important part of its drive into over-the-counter markets through a joint venture with Warner-Lambert of the US.

But Mr Keith Merrifield, group marketing director, argued that tha fortunes of Wellcome's anti-viral drugs would be helped by growth in Japan and by new launches.

The rapid growth in Lamictal would be possible because of new approvals, while Retrovir prices had recently been raised twice in the US market.

Another hurdle to the Glaxo bid remained unresolved yesterday as tha High Court adjourned until today its consideration of the application by the Wellcome Trust to sell its 39.5 per cent stake in Wellcome. Court permission is required because of the terms of the will of Sir Henry Wellcome.

Wellcome's annual report, also published yesterday, showed there are 48m share options outstanding for Wellcome employees.

If all these become exercisable following a takeover it would bring Wellcome directors and staff a profit of up to £200m the equivalent of approximately £11,000 each. Six Wellcome directors could make profits of up to £6m through a variety of options.

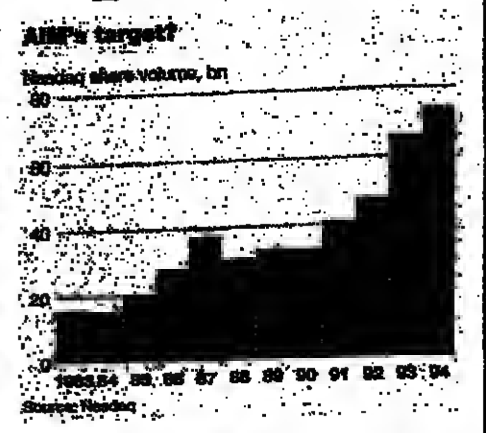
LEX COMMENT

Small companies

Competition has been good for the London Stock Exchange. When it first launched its idea for Aim as a market for small companies, the concept looked dud. Investors did not like the idea that Aim would be so lightly regulated that they might be swindled. And the exchange's motives for launching the market were suspect: it seemed driven more by the need to please politicians, unhappy that the Unlisted Securities Market will close next year, than by an analysis of the commercial opportunities.

Then along came competition in the form of Easdaq, which plans a European market modelled on the US Nasdaq exchange. The Stock Exchange has now stolen most of Easdaq's clothes. A tougher line is being taken to stamp out fraud, but a relatively light touch maintained in other regards so that compliance costs are low. The Stock Exchange has also woken up to the virtues of marketing. The main difference with Easdaq is that Aim is still not being run for profit; that could put its profit-orientated rival at a big disadvantage.

Of course, just because the new concept is better than the old one does not guarantee success. With the new issues market to the doldrums, this is not exactly the best time to launch a new exchange. On the other hand, Aim will be boosted if the government extends to it the favourable tax treatment currently enjoyed by the USM. Having scratched politicians' backs by launching Aim, it is probably not too much to expect that politicians will now scratch the Stock Exchange's back.



Barclays to seek buy-back powers

By John Gapper, Banking Editor

Barclays, the UK's largest bank, is likely to seek powers at its annual meeting in May to buy back its shares giving it the freedom to return any excess capital to its shareholders next year.

Barclays, which reports its annual results on March 7, is seen by analysts as the bank most likely to make a one-off distribution, either through a buy-back or a special dividend.

Although it could distribute capital in a special dividend in March, directors are thought more likely to wait to gain permission for a buy-back. It redeemed £557m ($863m) of loan stock, and £322m of preference shares, last year.

Barclays, which analysts estimate made pre-tax profits of about £1.8bn last year, is not under immediate pressure to distribute capital, but may do so within two years unless it makes a large cash acquisition.

The bank has been shrinking assets at the same time as growing capital through retained earnings. It is expected to report a tier 1 ratio of core capital to risk-weighted assets of about 7 per cent, well above the regulatory minimum.

Sir Brian Pitman, Lloyds Bank's chief executive, said at its results on Friday that its tier 1 ratio of 7.8 per cent would have been excessive, but for its forthcoming £1.8bn purchase of Cheltenham & Gloucester Building Society.

National Westminster Bank gained permission to buy back its shares at its annual meeting last year. However, it is unlikely to exercise these powers when its reports its results on February 21.

Barclays de Zoete Wedd, the investment banking arm of Barclays, has calculated that it would have scope to re-pay £416m of equity in two years' time, and a further £600m a year later, even it it wanted to maintain a tier 1 ratio of 8 per cent.

Mr Hugh Pye, BZW analyst, said Barclays could afford to pay a special dividend this year, but there was "no real advantage to be gained by doing it". He believed it was more likely to return capital once the bank had been fully re-shaped.

Northern Electric EGM ends limits on ownership

Yesterday for the first time in the two months since the conglomerate Trafalgar House announced its hostile £1.2bn ($1.86bn) bid for Northern Electric, small shareholders had their first – and possibly last – chance of direct contact with the board.

The meeting was called to consider whether Northern's articles of association should be amended to remove the limit on anybody owning more than 15 per cent of the issued share capital.

More than 1,000 small shareholders, representatives of the north-east of England regional dimension which Northern's board has stressed in opposing the bid, streamed into Newcastle's City Hall for an extraordinary meeting. For them the burning issues were: should Trafalgar House be offering a higher price for their company? Are privatised companies intrinsically different from other plcs? Would removing the bar to any single stakeholder owning more than 15 per cent of shares not play into Trafalgar's hands?

Mr David Morris, Northern's chairman, had no difficulty with these questions; he did not tackle them, since they were deemed unconnected with the one resolution before the EGM. In a brief introductory speech Mr Morris said the board supported the restriction's removal. It had no wish to rely on the articles of association to fight what it considered an inadequate and unacceptable bid. "I must stress that the vote in respect of the resolution is not a vote on the merit or otherwise of the offer," he added, anticipating the inevitability of questions focusing on the bid.

On a show of voting cards in the hall, the resolution was substantially defeated. But proxy votes by the institutions which hold more than 80 per cent of Northern's shares gave a result of 41.8m for the resolution to 1.18m against. Tha change takes effect when the government's golden share expires on March 31.

Michael Scott

Demonstrators greet shareholders arriving for the meeting

Mersey Docks rises 61%

Mersey Docks and Harbour Company, the UK's second largest port group, lifted pre-tax profits by 61 per cent from £20.9m to £33.6m ($52m) in 1994, writes Ian Hamilton Fazey.

The result includes a first full-year contribution of £11.6m from the Medway Ports in Kent, acquired in October 1993.

Tonnages at Sheerness, the main Medway port, increased slightly. The main operational problem was to replace Olau Line's ferry service to Vissingen in the Netherlands, which closed after a Dutch labour dispute. The new Mersey-owned service will expand from a freight only service to carry passengers from April.

Mr Gordon Waddell, chairman, said £35m of capital spending was planned, split equally between the Mersey and Medway. Gearing rose from 14.4 to 19.1 per cent, and Mr Waddell said 50 per cent would be acceptable. This leaves leeway for about another £50m of debt.

Turnover grew by 32 per cent to £129.9m ($96.4m).

Analysts are forecasting about £38m for this year, with earnings per share in the 28p to 31p range, depending on tax. This would give a p/e of about 13.

NEWS DIGEST

European Colour in Swiss buy

European Colour, the chemical colour manufacturer, is acquiring the customer list and process technology for tha Dyecoms range from Ciba-Geigy for £4.3m ($6.7m). The consideration will be adjusted upwards to reflect the value of stocks.

The purchase will be funded by a 3-for-11 rights issue of 8.27m new shares at 57p each, to raise £4.4m net. The balance will ba met from cash resources and bank facilities.

In addition, European Colour will grant Ciba-Geigy a licence for separate technology for the manufacture of pigments used in liquid packaging inks.

GPT expansion

GPT, the telecoms equipment group jointly owned by GEC and Siemens of Germany, has established a new division to exploit the rapidly growing market for smart cards.

Smart cards are the size of a bank card but contain semiconductor chips capable of storing and processing information. Their most common use is as payphone cards. The division will be based in Coventry.

High-Point in black

A return to profits in the US and an improvement in Asia and the Pacific rim enabled High-Point, the engineering consultant, to return to the black in the six months to November 30.

The pre-tax result was £221,000 ($342,550) against £93,000, and losses of £442,000 for the year to May 31.

Abbey National to set up unit trust subsidiary

By Alison Smith

Abbey National, the homa loans and banking group, is to set up its own unit trust subsidiary, which will open for business at the beginning of next month.

The first product will be a singla premium personal equity plan which will invest in a single UK unit trust. Abbey plans to launch a unit trust in the summer and a regular premium Pep should follow.

In terms of banks and building societies setting up unit trust subsidiaries Abbey is a relatively late arrival, although it has had its own life assurance arm for almost two years.

Other personal financial services organisations that have astablished their own operations – most recently Halifax Building Society last month – have tended to set up life and unit trust subsidiaries at the same time.

It is widely believed that Peps and unit trusts offer a promising area for growth, particularly against tha background of a relatively flat housing market.

In 1994, net retail sales of unit trusts rose 20 per cent to £6bn ($9.3bn).

Mr Charles Toner, managing director of Abbey's retail division, said that setting up the life insurance operation had been the priority for Abbey.

Once the decision had been taken last year to launch e unit trust, the target had been to make it available before the end of the current tax year at the beginning of April.

Ona of the driving forces behind the move appears to have been defensive, outweighing the risk of merely transferring money into the new products from the bank's 10m retail savings accounts.

Abbey was expanding its financial planning services throughout its branch network last year and in the course of offering financial advice had to advise customers to make the best use of their tax allowances – through products such as Peps – before advising them about other investment products available through Abbey National Life.

Vardon to buy Parkdean

By David Blackwell

Vardon, the rapidly growing leisure group, yesterday launched a recommended £17.8m ($27.6m) offer for Parkdean Leisure, the holiday parks operator.

The deal will add e third leg to Vardon's business. It already runs an attractions division, which includes Sea Life and the London Dungeon, and an expanding bingo division.

Vardon is offering new shares on a 13-for-10 basis, valuing each Parkdean share at 176p. Shareholders, who have the option of 162½p cash, retain the right to Parkdean's 2.85p final dividend.

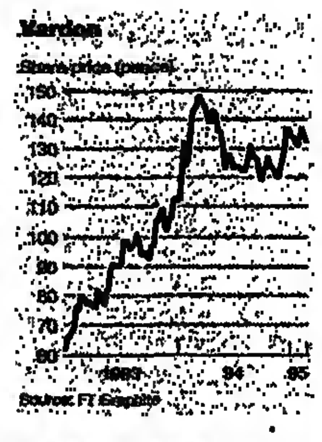
The paper offer represents a premium of 29 per cent to Parkdean's closing price on Tuesday of 139p. Yesterday the shares gained 33p to 172p.

Vardon was floated in 1992 with the aim of developing mass market, low-ticket leisure businesses.

Mr Nick Irens, chief executive, said yesterday Parkdean fitted the strategy perfectly, as well as having strong growth prospects and a successful management team.

Parkdean, which runs holiday parks in Scotland and East Anglia, was floated in October 1993. Mr Graham Wilson, managing director, who led a management buy-out of the company in 1989, will be joining Vardon's board. He is accepting Vardon's paper offer for his 385,000 shares – 4 per cent of Parkdean, and is undertaking to hold the Vardon shares for two years.

Both companies yesterday also announced strong profits growth.



RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Current payment (p)	Date of payment	Dividends: Corresponding dividend	Total for year	Total last year
Armitage Bros	28 wks to Dec 11	13.6	(13.4)	0.851	(0.81)	14.1	(13.5)	2.9	Apr 15	2.7	-	6.4
Benson	6 mths to Nov 30	17.5	(12.6)	1.2	(0.065)	0.77	(0.04)	0.12	Apr 28	0.1	-	0.33
Brightstone Props	40 wks to Dec 31	0.88*	(-)	0.15	(-)	1.64	(-)	1.8	Apr 12	-	2.8	-
ICC Bank §	Yr to Oct 31	87.7♦	(135)	10.5	(10.05)	60.6	(59)	14	Mar 28	14	20	20
Mersey Docks	Yr to Dec 31	129.9	(96.4)	33.6	(20.9)	25.33	(19.96)	7.2	Apr 19	6.15	10.5	9
Parkdean Leisure	Yr to Nov 30	11	(9.22)	1.56	(0.81)	10.9	(6.9)	2.85	Mar 14	1.3	4.75	1.3
Vardon	Yr to Dec 31	30.2	(19.4)	7.39	(5.13)	7.1	(5.6)	1.125	May 5	0.825	1.5	1.125

Investment Trusts		NAV (p)		Attributable Earnings (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Finsbury Underwriting	6 mths to Dec 31	90.8	(88.5☆)	0.226	(0.475★)	0.75	(1.58★)	0.6	Mar 22	-	-	1.35
F&C Income Growth	11 mths to Dec 31	-	(-)	-	(-)	-	(-)	0.7‡	Mar 31	-	-	-
Yeoman	Yr to Dec 31	416.1	(507.7)	3.77	(3.52)	15.3	(14.28)	1.8	Apr 4	1.5	13.7	13.4

Dividends shown net. Figures in brackets are for corresponding period. *Net rental income. ♦Interest income. §Irish currency. ☆At June 30. ★6 mths to June 30. ‡Second interim making 2.1p to date.

صكذا من الاصل

COMMODITIES AND AGRICULTURE

Russian oil export cartel launched

By Anthony Robinson and Robert Corzine

The Russian oil industry yesterday launched a new oil exporters cartel, the Union of Oil Exporters. The organisation's declared aim of creating more "orderly" marketing of Russian oil exports has raised fears of restricted access to export pipelines for foreign oil companies with Russian joint ventures.

Mr Oleg Davydov, a deputy prime minister who doubles as chairman of the new cartel, used the launch to "dispel the apprehensions" of foreign partners in joint oil producing enterprises. "Access to export pipelines will be of a non-discriminatory nature", he said. Last year joint venture companies exported 9.7m tonnes of the total 89m tonnes of oil and 39m tonnes of oil products exported from Russia. The total of foreign- and joint venture-produced oil was expected to rise to between 16m and 18m tonnes in 1995, all of which would be given access to the export pipelines, he added.

Mr Davydov described the new union as "an open, non-commercial, non-governmental organisation which integrates foreign trade organisations and firms irrespective of any ownership form and state origin, including enterprises with foreign capital".

In practice however the new grouping has been formed after a highly selective winnowing out process among the several hundred oil companies that sprang up over the past few years. Many of these built up large clandestine fortunes through obtaining oil at low domestic prices, securing access to export pipelines and then selling the oil at close to world market prices.

Such "disorderly marketing" often led to the dumping of "spot" cargoes at substantial discounts and damaged the reputation of the larger oil producing and trading companies. The new cartel aims to co-ordinate the marketing arrangements of the main exporters to prevent such losses and maximise returns.

Russia also wants to move from relying on spot market oil sales to long-term contracts with international buyers.

Mr Davydov said over 300 companies were considered for membership of the union but only 14, including oil majors Lukoil, Komineft, Rosnefteimpex and Nafta Moscow, were included in the select group of major producers and exporters admitted. All members were what he called "firms of spotless reputation. . . highly qualified exporters".

He said the UOE's concept of "orderly marketing" would not lead to Opec-style attempts to secure higher prices by enforcing output cuts and quotas.

Holy grain of the Incas wins converts

Raymond Colitt on the growing market for quinoa and amaranto

Once the holy grain of the Incas and now food in space for US astronauts, a little-known grain from the Andean highlands called quinoa, and its relative, Amaranto, are creeping into the world health food market. And some food industry analysts say it could become one of the world's major commercial crops.

In Ecuador, where the consumption of quinoa was scoffed at by the upper classes for decades, it is now found in supermarkets and used in processed foods. Not only are housewives rediscovering quinoa soup but mothers feed their babies a quinoa-based cereal. The Swiss food company, Nestlé, for several years now, has been marketing a version of its Nestum baby cereal made from quinoa and honey. The product, which is marketed in Peru and Ecuador, sells better than the company's rice-based Nestum.

Quinoa's renaissance is not confined to the Andean region. Its excellent nutritional value is also winning customers in North America and Europe.

The tiny, disc-shaped grain has more high-quality protein than most other commercial grains, including rice, wheat and maize. Food chemists say its protein is akin to that found in milk and is of a better quality than the common meat substitute, soya.

For these reasons, quinoa and amaranto are increasingly popular in health food stores and among vegetarians. The German health food company, Neuform, is registering 20 per cent annual growth figures in sales of their quinoa-based products.

Europe's largest distributor of amaranto, northern Germany's Allos company, has been importing the grain for over ten years.

Says Markus Hastenpflug of Allos: "It's hard to say whether there will be a boom in amaranto sales but I could see a repeat of the soyabean experience, which came from Asia and is now produced worldwide".

Canada and the US produce about as much amaranto as South America and Mexico do. Cuba is also an increasingly important producer. Bolivia is probably the world's leading quinoa producer, although accurate figures are not available.

Amid global competition, traditional Bolivian quinoa producers are bracing themselves for tough times, despite considerable success in recent years. Says Francisco Valderrama, head of Anapqui, an association of quinoa producers: "We are trying to confront growing international competition by diversifying our product palette to include products such as ready-to-eat cereals or snacks. That way we can take advantage of our low labour and production costs".

Andean countries, with thousands of years of experience in growing these crops, may still have an advantage over industrialised nations, which are still experimenting with new varieties of quinoa. Cesar Contreras, quality control manager of Arrowhead Mills, a US producer of organic cereals: "We still prefer to sell the unprocessed whole grain quinoa from South America over the North American variety because of its better appearance".

Most members of Anapqui are poverty-stricken farmers who eke out a living on the windswept, barren Altiplano (or high Andean plateau). The quinoa plant can grow as high as 4,000m above sea level and is resistant to frost, whereas amaranto grows better in a moderate climate.

The resurgence of quinoa in the international market has provided farmers throughout the central Andean region with a viable alternative to growing coca or joining the crowds of hapless squatters in urban slums.

Yet "the world supply of quinoa and amaranto is still very unstable", says Mr Hastenpflug, of Allos. Last year, he says, US production was small and Allos had to find substitute suppliers in Latin America. Because of its limited supply, the price of quinoa is still above that of most other major grains.

For quinoa to make a real impact on the international grain market, say industry experts, a big company would have to invest heavily in research and development of the product. Four years ago, Nestlé decided that the cost of promoting quinoa world-wide was too high. Samuel von Rutte, of Nestle's research division, Latinreco, says: "What you need is the kind of support that New Zealand put into promoting the Kiwi fruit".

Bright future seen for lead and zinc

By Kenneth Gooding, Mining Correspondent

Lead and zinc markets can look forward over the next two years to the favourable prospect of falling stocks and rising prices, according to a major new study by Billiton Metals, part of the Gencor group of South Africa.

Annual demand for both metals is forecast to rise to between 1.5 and 2 per cent, following a 15-year period in which consumption of lead grew by only 0.5 per cent a year and that of zinc by just 1 per cent a year.

Billiton suggests, moreover, that its estimata for lead demand could turn out to be very conservative if there is widespread commercial acceptance of electric vehicles.

"It seems certain that the first generation of electric vehicles, be they pure or hybrid in form, will employ lead-acid batteries as their powar source," say the authors, Ms Karen Norton and Mr Angus MacMillan.

Storage batteries already account for 66 per cent of lead consumption in the western world compared with 49 per cent in 1979.

Zinc, like lead, is also increasingly relying on a single end-use for its consumption growth.

Galvanising now accounts for about 48 per cent of western zinc consumption, compared with 41 per cent at the top of the last cyclical upswing in 1979.

"Although the construction industry remains tha largest end-use market for galvanised products, the 2.2 per cent average annual growth rate over the period was largely fuelled by demand from the automobile industry, as manufactures worldwide invested considerable resources in increasing the durability of vehicle structures. One of the most important measures adopted was the introduction of zinc coated steels in a variety of forms," the authors point out.

There is no potentially huge growth market for zinc to match the potential of electric vehicles for lead. Instead, the authors suggest, "the possible growth in the use of aluminium body panels in automobiles poses a serious threat to zinc's major growth market towards the end of the decade and beyond".

Lead and Zinc Market report: US$400 or £250 from Billiton Metals, 84 Fenchurch Street, London EC3M 4BY, UK.

Western World Supply/Demand Balances (refined; '000 tonnes)

	1992	1993	1994(e)	1995(f)	1996(f)
LEAD					
Supply	4,628	4,622	4,725	4,800	4,855
Consumption	4,481	4,495	4,775	4,900	5,000
Implied surplus (deficit)	147	127	(50)	(100)	(145)
Ending stocks (as weeks' consumption)	6.9	7.5	7.3	5.9	4.4
Price (US cents/lb)	25.4	19.1	24.8	32	37
ZINC					
Supply	5,751	5,929	5,903	5,790	5,950
Consumption	5,398	5,528	5,700	6,025	6,200
Implied surplus (deficit)	353	401	203	(235)	(250)
Ending stocks (as weeks' consumption)	10	13.5	14.3	12.1	9.9
Price (US cents/lb)	55.3	44.4	45.3	56	62

(e) = estimates, (f) = forecasts. Sources: International Lead and Zinc Study Group and Billiton Metals

The Ivory Coast relinquishes control of its biggest rubber plantation

By Paul Adams in Lagos

The government of the Ivory Coast yesterday authorised the privatisation of its largest rubber plantation.

Socfinal-Koffy, a consortium of local and Luxembourg-based investors, has bought 60 per cent of Societé des Caoutchoucs de Brand-Bereby in a deal that values the company at $34m. The government is keeping 20 per cent of the shares. Its partner, Michelin of France, retains 5 per cent and 14.8 per cent will be sold to the staff of the plantation and to the public through the Abidjan stock market.

The plantation has 13,400 hectares under rubber and a 30,000-tonnes-a-year processing plant at its complex near the port of San Pedro. The complex also takes rubber from 720ha of small-holder plantings. In addition it has 494ha under rice, as well as some maize, coffee and cattle farming. Annual turnover up to 1991 was worth CFA Fr8.5bn (at the pre-1994 exchange rate CFA Fr50 was worth FFr1).

Recently there has been serious labour unrest among the 4,000 staff, who have been demanding improved pay and conditions.

This the second big divestment in the sector since last year's IMF-backed economic reforms made privatisation a priority and the 50 per cent devaluation boosted exports and the profitability of Ivorian agriculture. Last year the government sold 35 per cent of its 45 per cent holding in Société Africaine de Plantations d'Heveas to a private Ivorian company, Octide-Finance.

Rubber, like pineapples and bananas, is one of the non-traditional exports that are growing fast under the diversification programme, which aims to reduce the West African country's dependence on cocoa and coffee for export revenue. The Ivory Coast, which is Africa's second largest rubber producer, after Nigeria, exports most of its rubber output.

In 1993-94 the Ivorian output total increased to about 87,000 tonnes, in spite of damage to crops caused by a tornado, and production in 1994-95 is forecast at 96,000 tonnes, thanks to to good rains and some new plantations. The area under under rubber is estimated at 75,000 hectares, of which about 57,000 hectares is in production.

Under a French aid-financed expansion programme the Ivory Coast CFA Fr3.65bn in immature plantations, a factory, technical assistance and credit to farmers and a research station.

The 50 per cent devaluation of the CFA franc last January and the subsequent sharp rise in the world price of rubber have made rubber plantations attractive, although two other rubber companies offered for sale last year are still on the market.

More importantly for producers, the price offered for their rubber by the government increased from CFA Fr120 a kilogram before the devaluation, to CFA Fr276 in June 1994.

The country's future privatisation programme includes three rubber plantations, the vegetable oil producer Plantations et Hulleries de Cote d'Ivoire, leading companies in shipping, rice, sugar, textiles and gas and the state share in Shell Cote d'Ivoire.

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE
(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1862-3	1894-5
Previous	1843-4	1885-6
High/low	1872	1925/1879
AM Official	1869-70	1910-12
Kerb close		1891-2
Open int.	227,332	
Total daily turnover	64,474	

■ ALUMINIUM ALLOY ($ per tonne)

	Cash	3 mths
Close	1805-15	1850-55
Previous	1810-20	1855-65
High/low		1909/1850
AM Official	1828-32	1869-70
Kerb close		1860-60
Open int.	2,746	
Total daily turnover	503	

■ LEAD ($ per tonne)

	Cash	3 mths
Close	564-5	583-4
Previous	538-7	556-7
High/low		602/581
AM Official	569-70	587-8
Kerb close		587-8
Open int.	38,575	
Total daily turnover	7,303	

■ NICKEL ($ per tonne)

	Cash	3 mths
Close	8270-80	8420-25
Previous	8275-85	8420-30
High/low	8300	8575/8380
AM Official	8300-05	8440-50
Kerb close		8350-70
Open int.	57,596	
Total daily turnover	15,346	

■ TIN ($ per tonne)

	Cash	3 mths
Close	5320-30	5410-20
Previous	5260-70	5355-60
High/low		5460/5410
AM Official	5320-30	5415-6
Kerb close		5380-90
Open int.	21,281	
Total daily turnover	8,179	

■ ZINC, special high grade ($ per tonne)

	Cash	3 mths
Close	994-5	1020-1
Previous	988.5-7.5	1012-3
High/low		1038/1014
AM Official	999-1000	1026-6.5
Kerb close		1023-4
Open int.	102,429	
Total daily turnover	23,803	

■ COPPER, grade A ($ per tonne)

	Cash	3 mths
Close	2886-7	2874-5
Previous	2908-9	2889-4
High/low	2900/2893	2895/2870
AM Official	2898-9	2878-9
Kerb close		2875-7
Open int.	236,027	
Total daily turnover	70,723	

■ LME AM Official £/$ rate: 1.5643
LME Closing £/$ rate: 1.5598

Spot: 3 mths: 6 mths: 9 mths:

■ HIGH GRADE COPPER (COMEX)

	Close	Day's change	High	Low	Open int	Vol
Feb	134.20	-0.60	135.10	134.20	1,465	192
Mar	133.45	-0.75	134.75	133.30	22,972	8,533
Apr	131.70	-0.55	132.60	132.50	1,255	235
May	129.95	-0.55	131.25	129.60	11,367	3,284
Jun	128.55	-0.35	128.25	128.55	4,118	88
Jul	128.55	-0.35	127.70	125.85	[illegible]	240
Total					[illegible]	14,127

PRECIOUS METALS

■ LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

	$ price	£ equiv	SFr equiv
Gold(Troy oz)			
Close	376.20-376.60		
Opening	375.60-376.00		
Morning fix	376.60	241.580	480.484
Afternoon fix	376.60	240.747	479.525
Day's High	377.20-377.60		
Day's Low	376.10-376.40		
Previous close	375.70-376.10		

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	4.87	6 months	5.47
2 months	4.97	12 months	6.00
3 months	5.16		

Silver Fix	p/troy oz.	US cts equiv.
Spot	304.50	478.25
3 months	308.00	482.75
6 months	314.35	493.40
1 year	327.15	509.80

Gold Coins	$ price	£ equiv.
Krugerrand	377-380	242-245
Maple Leaf	387.40-390.85	-
New Sovereign	87-90	56-59

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Open int.	Vol.
Feb	376.6	+0.2	378.0	376.9	470	0
Mar	377.2	+0.2	-	-	22	32
Apr	378.6	+0.2	379.9	378.4	71,763	11,950
Jun	381.9	+0.1	383.5	381.8	29,130	198
Aug	385.8	+0.1	-	-	15,970	16
Oct	389.7	-	-	-	4,777	-
Total					171,481	13,208

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Open int.	Vol.
Apr	413.9	-0.2	415.9	413.6	16,388	538
Jul	417.0	-0.2	419.0	417.0	5,094	10
Oct	421.9	-0.2	-	-	1,160	202
Jan	425.9	-0.2	-	-	245	55
Total					22,887	801

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Open int.	Vol.
Mar	157.70	-1.30	159.10	157.60	3,223	878
Jun	159.90	-1.30	161.25	159.75	3,994	751
Sep	161.30	-1.30	162.60	162.60	425	62
Dec	162.60	-1.30	-	-	53	26
Total					7,695	1,717

■ SILVER COMEX (100 Troy oz.; Cents/troy oz.)

	Sett price	Day's change	High	Low	Open int.	Vol.
Feb	471.9	-2.8	-	-	-	-
Mar	472.7	-2.8	481.0	472.0	58,702	11,441
Apr	475.1	-2.8	-	-	-	-
May	477.9	-2.7	488.5	477.5	25,341	1,832
Jul	483.3	-2.7	491.0	482.0	11,000	657
Sep	488.9	-2.7	495.5	492.0	10,893	7
Total					140,848	14,028

ENERGY

■ CRUDE OIL NYMEX (42,000 US galls. $/barrel)

	Latest price	Day's change	High	Low	Open int	Vol
Mar	18.60	+0.10	18.60	18.28	51,101	36,710
Apr	18.48	+0.19	18.52	18.25	82,287	35,864
May	18.27	+0.15	18.33	18.10	42,878	12,728
Jun	18.10	+0.14	18.20	18.11	36,888	4,742
Jul	18.09	+0.14	18.10	18.04	17,231	2,449
Aug	18.00	+0.11	18.00	17.93	12,601	829
Total					384,914	98,839

■ CRUDE OIL IPE ($/barrel)

	Latest price	Day's change	High	Low	Open int	Vol
Apr	16.84	+0.09	16.95	16.64	73,334	11,439
May	16.69	+0.07	16.77	16.67	18,938	2,919
Jun	16.64	+0.05	16.70	16.62	13,769	748
Jul	16.58	+0.19	16.63	16.56	9,196	68
Aug	16.55	+0.11	16.58	16.50	4,467	169
Sep	16.50	+0.04	16.69	16.47	2,264	-
Total					137,882	15,927

■ HEATING OIL NYMEX (42,000 US galls; c/US galls)

	Latest price	Day's change	High	Low	Open int	Vol
Mar	47.35	-0.15	48.00	47.15	32,028	14,891
Apr	47.55	-0.07	48.00	47.00	21,679	4,802
May	47.65	+0.03	48.00	47.45	12,495	3,102
Jun	47.75	+0.13	47.85	47.00	9,001	1,185
Jul	47.95	+0.13	48.00	47.85	8,136	464
Aug	48.50	+0.23	48.85	48.40	4,089	376
Total					112,589	25,849

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	143.50	-1.25	146.50	143.50	44,544	4,261
Apr	145.25	-0.75	148.75	145.25	18,671	1,850
May	145.80	-0.50	148.50	145.50	7,494	358
Jun	146.00	-0.25	147.00	146.00	8,004	677
Jul	147.50	-0.25	147.00	147.50	2,772	50
Aug	149.50				1,581	-
Total					94,894	7,760

■ NATURAL GAS NYMEX (10,000 mmBtu; $/mmBtu)

	Latest price	Day's change	High	Low	Open int	Vol
Mar	1.385	-0.007	1.395	1.365	22,185	16,460
Apr	1.381	-0.014	1.397	1.370	21,958	7,589
May	1.453	+0.001	1.455	1.440	12,740	2,301
Jun	1.510	-0.002	1.515	1.505	12,104	1,074
Jul	1.505	-	1.570	1.555	11,869	1,251
Aug	1.595	+0.005	1.596	1.585	10,342	922
Total					187,461	34,166

■ UNLEADED GASOLINE NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Open int	Vol
Mar	58.60	+0.44	57.60	58.15	18,052	9,310
Apr	58.40	+0.49	58.55	57.65	18,799	2,986
May	57.85	+0.32	57.80	57.60	15,858	2,775
Jun	57.00	+0.39	57.10	56.90	4,611	940
Jul	56.40	+0.49	56.40	56.40	2,641	258
Aug	55.65	+0.49	55.65	55.65	1,154	452
Total					96,555	16,852

GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	108.35	-0.80	109.25	108.35	1,002	157
May	109.80	-0.85	110.50	109.80	1,962	241
Jul	110.75	-0.75	111.00	110.75	363	35
Sep	96.50	-0.75	96.50	96.50	173	5
Nov	99.50	-0.45	100.00	99.50	1,916	97
Jan	101.50	-0.25	101.50	101.00	346	3
Total					5,953	538

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	366/2	-5/0	371/0	365/0	28,894	4,577
May	360/4	-2/4	364/4	359/4	16,058	1,797
Jul	337/2	-1/0	340/0	336/2	21,894	1,912
Sep	341/4	-0/6	343/4	341/2	1,663	68
Dec	351/6	-1/0	354/0	351/0	1,136	137
Mar	356/0	-2/0	-	-	16	-
Total					69,664	8,580

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	234/2	-0/4	234/6	233/2	77,974	19,689
May	242/0	-0/4	242/6	241/0	80,191	12,010
Jul	248/2	-0/2	248/6	247/0	74,526	8,305
Sep	253/0	-	253/6	251/6	12,310	1,000
Dec	258/0	-0/2	258/6	256/0	60,408	7,836
Mar	264/0	-0/2	264/6	262/6	6,184	552
Total					317,071	48,375

■ BARLEY LCE (£ per tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	102.35	-0.80	102.75	102.75	278	5
May	103.25	-0.25	103.50	103.50	88	11
Sep	97.00	-	97.00	97.00	109	2
Nov	99.15	-	99.00	99.00	204	10
Jan	100.50	+0.10	-	-	39	-
Mar	102.25	-	-	-	-	-
Total					709	28

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	558/0	-0/4	561/0	555/6	44,890	13,554
May	568/0	-	570/6	566/0	34,178	5,330
Jul	575/2	+0/2	577/4	573/2	32,127	3,133
Aug	578/2	+0/4	580/0	576/6	4,010	152
Sep	579/6	+0/6	581/0	578/0	2,599	587
Nov	587/2	-	588/6	585/4	18,471	955
Total					138,361	23,767

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	27.88	+0.26	27.99	27.00	32,119	9,145
May	26.99	+0.23	27.10	26.72	29,197	8,341
Jul	26.48	+0.24	26.60	26.10	17,549	3,107
Aug	26.14	+0.28	26.25	25.90	5,235	644
Sep	25.82	+0.17	99.00	25.65	5,100	302
Oct	25.52	+0.10	25.80	25.40	5,447	257
Total					105,828	28,382

■ SOYABEAN MEAL CBT (100 tons; $/ton)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	153.4	-0.8	154.8	153.3	28,721	3,795
May	157.4	-0.5	158.4	157.2	25,459	2,410
Jul	161.7	-0.8	162.7	161.6	19,899	1,276
Aug	163.7	-0.6	164.8	163.7	6,821	281
Sep	166.7	-0.5	166.7	165.6	4,410	214
Oct	167.4	-0.7	169.5	167.4	8,094	112
Total					101,365	8,372

■ POTATOES LCE (£/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	351.5	-	-	-	-	-
Apr	270.8	-0.7	271.0	266.0	773	84
May	300.0	+6.5	-	-	54	-
Jun	250.0	-	-	-	-	-
Total					837	84

■ FREIGHT (BIFFEX) LCE ($10/index point)

	Sett price	Day's change	High	Low	Open int	Vol
Feb	1946	-24	1980	1950	317	13
Mar	1932	-28	1940	1930	276	52
Apr	1945	-26	1960	1934	1,441	98
Jul	1710	-25	1720	1700	669	42
Oct	1710	-30	1740	1710	749	10
Jan	1725	-18	-	-	108	-
Total					3,789	215

	Close	Prev
BFI	1961	1984

Nuts and Seeds
1994 Crop prices from Kenkko Group: US $ per m/t: Iranian Pistachios 28/30 raws (in shell) naturally opened (round) 3,500 FOT MEP, easier on local currency devaluation. Pistachio kernels not available. US almonds (shelled) 18/30 NPSSR 4,100, steady. The almond market continues to follow the weather with coming weeks crucial for blossoming and pollination. US walnuts (shelled) light halves and pieces 20% (LHP) 4,200 FAS California, firm. Indian cashews 4,950 C&F MEP, easier on good new crop expectations. Turkish hazelnut kernels 13/15 standard 1s 3,600 C&F MEP, unchanged. Israeli sunflower seeds, raw, 8mm-plus 1,950 C&F MEP. North Dakota raws (round) 730 CIF MEP. Sunflower slightly easier. Snow White Russian pumpkin seed 2,700 C&F MEP, firm. Sesame seed, Indian 98.2% natural 1,100 C&F MEP, easier.

SOFTS

■ COCOA LCE (£/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	1044	-7	1053	1043	27,384	1,342
May	1031	-8	1040	1030	24,417	2,285
Jul	1039	-8	1048	1038	11,508	527
Sep	1047	-9	1055	1047	14,629	3,608
Dec	1051	-11	1064	1050	15,870	2,880
Mar	1061	-10	1070	1060	14,100	855
Total					119,261	11,727

■ COCOA CSCE (10 tonnes; $/tonnes)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	1401	-4	1406	1395	1,328	2,247
May	1421	0	1426	1416	38,559	11,905
Jul	1438	-5	1443	1433	12,332	1,297
Sep	1455	-5	1462	1450	4,686	484
Dec	1470	-8	1475	1460	5,044	165
Mar	1488	-12	1485	1485	6,581	179
Total					78,135	16,686

■ COCOA (ICCO) (SDR's/tonne)

Feb 14	Price	Prev. day
Daily	1038.61	1009.22

■ COFFEE LCE ($/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	2914	+17	2915	2879	7,264	1,578
May	2849	+19	2850	2815	11,278	2,169
Jul	2783	+24	2785	2770	4,148	635
Sep	2768	+15	2770	2755	3,610	288
Nov	2753	+13	2760	2745	1,110	96
Jan	2748	+13	2755	2740	137	46
Total					27,651	4,809

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	165.25	+0.75	165.75	163.60	8,780	8,678
May	166.95	+0.40	167.70	165.40	14,126	8,371
Jul	168.05	+0.25	168.90	167.00	5,984	1,447
Sep	168.50	+0.10	169.25	167.50	3,688	765
Dec	168.25	+0.25	169.40	167.00	3,554	180
Mar	167.25	-	-	-	377	10
Total					38,782	15,463

■ COFFEE (ICO) (US cents/pound)

Feb 14	Price	Prev. day
Comp. daily	152.46	150.63
15 day average	147.28	147.29

■ No7 PREMIUM RAW SUGAR LCE (cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	14.46	+0.21	-	-	925	-
May	14.47	+0.07	-	-	860	-
Jul	13.80	+0.40	-	-	2,300	-
Oct	13.20	+0.33	-	-	-	-
Jan	13.20	+1.25	-	-	-	-
Total					6,665	-

■ WHITE SUGAR LCE ($/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
May	385.40	-2.00	387.5	380.0	9,151	1,077
Aug	378.30	-1.00	379.5	377.7	8,484	337
Oct	349.50	-0.80	350.5	350.0	2,325	101
Dec	343.50	-2.00	345.4	343.8	215	19
Mar	340.10	-1.70	-	-	598	-
May	339.10	-1.50	-	-	110	-
Total					19,898	1,534

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	14.46	-0.12	14.49	14.29	38,970	8,809
May	14.24	-0.12	14.36	14.19	51,825	10,480
Jul	13.49	-0.08	13.54	13.41	33,381	3,030
Oct	12.86	-0.10	12.93	12.81	34,142	1,626
Mar	12.40	-0.12	12.50	12.40	9,829	598
May	12.31	-0.08	-	-	2,458	129
Total					171,118	24,782

■ COTTON NYCE (50,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	94.98	+0.08	96.10	93.75	11,606	5,079
May	93.40	+0.50	93.70	92.56	21,929	8,736
Jul	90.43	+0.53	90.75	89.70	14,385	2,028
Oct	80.30	+0.11	80.80	80.00	4,861	579
Dec	74.90	+0.07	74.95	74.70	17,606	1,063
Mar	75.86	+0.02	75.90	75.60	2,074	184
Total					72,543	18,694

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	103.90	-0.05	104.70	103.20	10,921	584
May	107.70	-0.45	108.70	107.40	5,930	523
Jul	111.45	-0.50	112.50	111.25	1,517	74
Sep	115.25	-0.50	118.00	115.00	2,708	188
Nov	114.00	-0.65	115.50	114.50	2,031	10
Jan	115.30	-0.65	-	-	1,054	70
Total					24,727	2,062

VOLUME DATA
Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears.

INDICES

■ REUTERS (Base: 18/9/31=100)

Feb 15	Feb 14	month ago	year ago
2260.5	2247.4	2286.7	1766.5

■ CRB Futures (Base: 1967=100)

Feb 14	Feb 13	month ago	year ago
234.62	233.59	235.60	227.22

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Feb	74.825	-0.425	75.350	74.775	6,473	2,989
Apr	73.700	-0.450	74.250	73.550	45,268	8,238
Jun	67.075	-0.300	67.375	66.900	16,909	1,566
Aug	64.300	-0.175	64.550	64.150	6,317	743
Oct	65.200	-0.100	65.250	65.075	1,310	129
Dec	66.150	-0.175	66.375	66.150	946	122
Total					80,677	14,666

■ LIVE HOGS CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Feb	39.400	+0.050	39.675	39.275	11,726	757
Apr	38.300	-0.175	38.600	38.025	13,519	2,540
Jun	44.325	+0.075	44.450	44.025	7,271	630
Aug	43.375	+0.050	43.400	43.150	1,889	167
Oct	40.525	-0.125	40.700	40.500	2,527	59
Dec	41.450	-0.125	41.550	41.350	2,272	77
Total					30,139	4,214

■ PORK BELLIES CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Feb	42.275	+0.325	42.300	41.000	829	146
Mar	41.750	+0.050	41.875	40.600	3,398	1,148
May	42.600	+0.100	42.700	41.500	3,283	556
Jul	42.850	+0.125	42.900	42.000	1,468	146
Aug	40.150	-0.200	40.350	39.875	396	13
Feb	51.250	-	-	50.500	60	0
Total					9,441	2,009

LONDON TRADED OPTIONS

Strike price $ tonne — Calls — — Puts —

■ ALUMINIUM (99.7%) LME	Apr	Jul	Apr	Jul
1800	129	186	51	84
1900	77	135	98	130
2000	42	94	162	187

■ COPPER (Grade A) LME	Apr	Jul	Apr	Jul
2700	-	183	-	72
2800	146	128	40	115
2900	87	86	86	170

■ COFFEE LCE	Mar	May	Mar	May
2700	214	249	-	100
2750	164	219	-	120
2800	114	192	-	143

■ COCOA LCE	Mar	May	Mar	May
1025	20	51	1	45
1050	3	40	9	59
1075	-	31	31	75

■ BRENT CRUDE IPE	Apr	Jul	Apr	Jul
1650	50	72	23	72
1700	27	48	48	101
1750	7	36	85	136

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel/Apr)

		+or-
Dubai	$16.40-6.42z	+0.05
Brent Blend (dated)	$17.00-7.03	+0.04
Brent Blend (Apr)	$16.77-6.80	+0.01
W.T.I. (1pm est)	$18.32-8.34z	+0.03

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

Premium Gasoline	$171-173	
Gas Oil	$147-148	
Heavy Fuel Oil	$103-105	+0.5
Naphtha	$158-168	
Jet fuel	$163-165	-1.5
Diesel	$150-151	-1

Petroleum Argus. Tel. London (071) 359 8792

■ OTHER

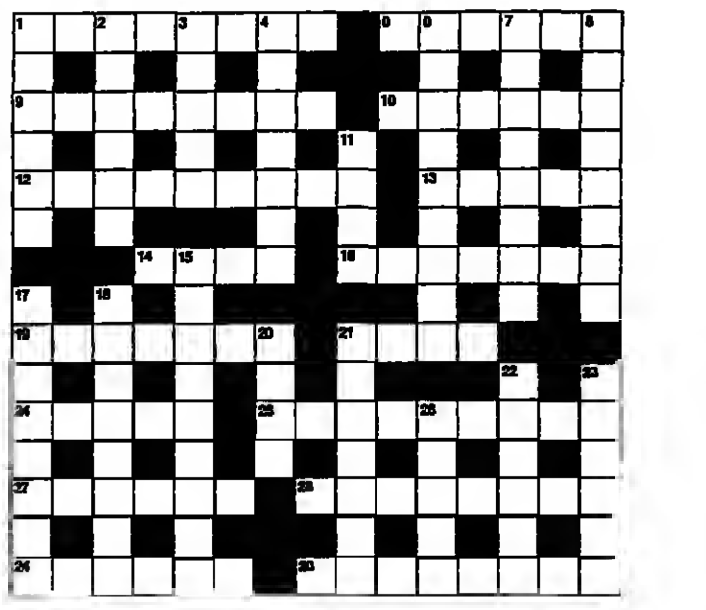
Gold (per troy oz)♣	$376.40	+0.50
Silver (per troy oz)♣	478.50c	+3.00
Platinum (per troy oz.)	$414.0	+0.25
Palladium (per troy oz.)	$157.6	+0.50
Copper (US prod.)	140.0c	
Lead (US prod.)	41.75c	
Tin (Kuala Lumpur)	13.90m	
Tin (New York)	249.50c	
Cattle (live weight)†	119.76p	-0.08*
Sheep (live weight)†♣	118.81p	-0.50*
Pigs (live weight)	83.09p	-3.59*
Lon. day sugar (raw)	$355.10	+5.3
Lon. day sugar (wte)	$400.0	-
Tate & Lyle export	£342.0	+2.0
Barley (Eng. feed)	£110.0	
Maize (US No3 Yellow)	£141.0	
Wheat (US Dark North)	£165.0	
Rubber (Mar)♥	115.0p	-1.0
Rubber (Apr)♥	115.0p	-1.0
Rubber (KL RSS No1)	455.5m	-5.5
Coconut Oil (Phil)§	$680.0y	+15.0
Palm Oil (Malay.)§	$662.5t	+20.0
Copra (Phil)§	$435.0y	+21
Soyabeans (US)	£168.0q	
Cotton Outlook'A' index	100.85c	+1.20
Wooltops (64s Super)	512p	

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. z Apr. t Mar. y Mar/Apr. q Feb/Apr ♥ London Physical. § CIF Rotterdam. ♣ Bullion market close. ♠ Sheep (Live weight prices). * Change on week © Prices are for previous day.

JOTTER PAD

CROSSWORD

No.8,688 Set by ALAUN



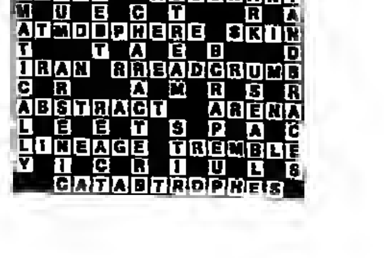
ACROSS

1 Return with the person's lost key (8)
5 Keep talking, pet (6)
9 He's convinced there's a dire evil in drink (8)
10 From the outset, everybody turned against her (6)
12 Strikes one a moment after it's funny (9)
13 Such e feeling as "the bump" is (5)
14 By work alone, has lost one stone (4)
16 Calls on to give up one's wicked ways (5,2)
19 Ploughs back the profits (7)
21 Beheading the paramour is just too much! (4)
24 Try putting on beat music (5)
25 Book for a meal in a restaurant that's accessible (3-2-4)
27 "Jack the Skinhead", e name to conjure with (6)
28 Just means "parts of the course" (8)
29 Out of the blue, given a South of France home (6)
30 Plan to get to the source: have your best interests at heart (4,4)

DOWN

1 A vigorous "Nonsense. Take the coach in!" (6)
2 Greeting the mother unhappily on return (6)
3 Starts in the big corral (5)
4 Upset by drinks that contain ice, in particular (7)
6 What the cockney butcher didn't have for the dog? (5-4)
7 In the bottom row, put the nationality (8)
8 Working in a school and longing to get to half term (8)
11 Small child responsible for a car accident (4)
15 The attendant is outside the burning building (9)
17 Expostulates about the decay in the crumbling steps (8)
18 Flag pole (8)
20 Account for a slump being over (4)
21 "On strike," you storm. "It's a scandal!" (7)
22 Scratch the first two letters out, dear (6)
23 What missing hat stand and which treacherous sly person? (6)
26 Catch one in the act somewhere in Italy (5)

Solution 8,687



INTERNATIONAL CAPITAL MARKETS

Treasuries up on signs of slowing growth

By Lisa Bransten in New York and Conner Middelmann and Graham Bowley in London

US Treasury prices added to Tuesday's gains yesterday morning on economic data that many interpreted as a sign that the economy was slowing.

At midday the benchmark 30-year Treasury was up $\frac{9}{32}$ at $101\frac{1}{32}$ to yield 7.533 per cent. At the short end of the market, the two-year note rose $\frac{1}{16}$ to $100\frac{25}{32}$, yielding 7.045 per cent.

Investors showed they were far more pleased by the slowing growth in industrial production than by modest growth in consumer prices.

Figures released by the Conference Board showed industrial production up 0.4 per cent in January, compared with the 0.9 per cent rise in December. It was also lower than the median forecast of a 0.5 per cent increase. (December's figure was revised downward from 1.0 per cent.)

Although capacity utilisation set a new high for January at 85.5 per cent, it was below market forecasts of 85.6 per cent and up only slightly from the 85.4 per cent of December.

Capacity utilisation, the proportion of industrial capacity used in the production of goods, is considered especially important because Mr Alan Greenspan, the chairman of the Federal Reserve, has consistently used recent high figures to justify tighter monetary policy.

GOVERNMENT BONDS

Investors paid less attention to gains made in the consumer price index for January. Last month the CPI rose 0.3 per cent overall and by 0.4 per cant excluding the volatile food and energy components, compared with expectatious of 0.3 per cent increases for both indices.

In spite of price pressures at lower levels in the economy, the CPI has held steady, rising only 2.7 per cent for all of last year. Economists said yesterday that one month of strong gains was not enough to indicate a trend.

■ European government bonds rose across the board yesterday, lifted by the rally in US Treasuries. The strongest performer was the UK gilt market, which jumped on data showing the consumer side of the UK economy slowing, with few signs of a pick-up in underlying inflation.

Weak retail sales and retail price data pushed the long gilt future on Liffe up by almost one point, to about $101\frac{25}{32}$.

The yield spread over German government bonds narrowed to 139 basis points from 147 basis points.

■ German bonds also showed strong gains, with the March bund future on Liffe rising to 90.93 before closing at 90.83, up 0.46 point. It is approaching last week's high of 91.12, which dealers said would be the next significant technical resistance level.

Tha Bundesbank's central bank council is not expected to change official interest rates when it meets today.

■ French government bonds moved slightly higher but underperformed other markets due to political concerns.

Opinion polls showing a narrowing of prime minister Mr Edouard Balladur's lead in the forthcoming presidential elections hit prices.

Confidence was also undermined by concerns that Mr Lionel Jospin, Mr Balladur's socialist rival, would halt the privatisation process if elected.

The spread over bunds widened slightly to 58 basis points. The March futures contract on Matif settled at 112.06, up 0.1

■ Italian bonds lagged the core markets, weighed down by renewed currency weakness and L4,000bn in seven and 10-year supply. The March BTP future on Liffe rose by 0.20 to 100.18.

S&P's announcement that it was assigning a triple A rating to the Italian government's lira debt had littla impact. Although the rating will enable some fund managers who may not invest in unrated or sub-AAA rated debt to buy Italian government bonds, dealers said this was unlikely to spur a rush of buying. S&P's foreign-currency rating for Italy remains double-A, with a negative outlook.

■ After outshining other markets on Tuesday on supportive inflation data, Spanish bonds put on a lacklustre performance yesterday. The March bond future on Meff, the Spanish futures exchange, rose by 0.18 to 85.88.

Taiwan may ease rules on bond conversion

By Laura Tyson in Taipei

Taiwanese securities regulators have approved rule changes which would allow bonds issued by Taiwan companies in overseas markets to be converted into common shares listed on the country's stock exchange. The changes must be approved by the cabinet before taking effect.

Under the new regulations, foreign individual investors would be permitted to hold Taiwan-listed shares directly for the first time, although they would not be allowed to buy shares once the converted bonds had been sold. At present, only foreign institutions approved by the government are allowed to buy listed shares in Taiwan companies.

Mr Hung Chiu-rong, a section chief at the Securities and Exchange Commission, said draft revisions to relevant regulations were discussed and agreed to on Tuesday.

An official from the central bank's foreign exchange department attended the meeting and raised no objection to the proposed changes, Mr Hung said. The central bank is the ultimate arbiter in all matters which concern foreign exchange and capital flows.

"As to whether the central bank will have some opinion when when the draft reaches the cabinet, I don't dare to say, but we're pretty optimistic that it will be passed without any problem," Mr Hung said. He said the cabinet might approve the changes in the next month.

Forty-six Taiwanese companies have issued overseas convertible bonds worth US$3.53bn and SFr832m since 1989.

Taiwanese convertible bond prices jumped yesterday on the news, reflecting improved prospects for conversion.

Israel warned not to ignore European banks

By Julian Ozanne in Jerusalem

Barclays de Zoete Wedd, the London-based international investment bank, yesterday warned that Israel risked losing ont on the increasing potential of European capital markets by preferring to float companies in New York with US investment banks.

INTERNATIONAL EQUITY ISSUES

The warning comes amid intense compatition among international invastment banks for the global co-ordinating role in the sale of 25 per cent of Bezeq, the state-owned telecommunications company.

The Bezeq offering, which is worth about $650m, is expected in the third quarter and will be Israel's biggest equity issue to date.

Mr Niel Sebag-Montefiore, BZW corporate finance director, said in Tel Aviv that the appointment of a European investment bank as joint lead co-ordinator would send positive signals to European investors.

"Israel has not yet attacked the European market, where investors are keen on Israel at the moment," he said.

"Appointing a European investment bank as joint global co-ordinator would send the right signals. There is a window of opportunity for Israel today and Bezeq is the best company to exploit it. It would open the doors for European investment in Israel in both private and government owned companies," added Mr Sebag-Montefiore.

BZW is among at least a dozen US and European banks bidding for the lucrative mandate, worth 3 to 4 per cent of the value of the offering in fee income.

Bezeq has said it intends to go for a full SEC registration in order to obtain a listing in New York, a factor which necessitates the appointment of a US global investment house to lead the offer.

The Government Companies Authority is expected to announce the winner within days. Morgan Stanley is advising the government on the sale.

BZW, Warburg, UBS and NatWest have argued strongly thet European capital markets are now ripe for Israeli equity and say a European investment bank should be awarded a joint global co-ordinator role with a US investment house.

However Israel has traditionally depended on the US capital market because of almost non-existent interest from Europe.

The US is by far the largest non-domestic buyer of Israeli equity and 61 Israeli companies are traded in the US with a total market capitalisation of $8.7bn.

Israeli bankers say the US will remain the main source of foreign capital as there is strong US investor demand and a greater supply of capital, in spite of the higher costs of public listing in the US and the onerous degree of accountability.

US investment banks have been involved in 30 Israeli equity offerings in the US in the past three years which hava raised more than $1bn.

Lehman Brothers, which last year established an office in Israel, has led tha pack, winning 18 mandates to run primary equity deals since 1991, and recently won the lead role for the global offering of 22 per cent of Israel Chemicals worth about $200m.

Nomura handles $500m deal without charging fee

By Martin Brice

Nomura raised eyebrows at other syndicates yesterday when it handled a $500m deal for the US Student Loan Marketing Association at zero fees. The deal was a block trade, with no syndicate.

INTERNATIONAL BONDS

A senior syndicate official at Nomura said: "If we choose to underwrite, place with our investors and trade a $500m deal, it is our prerogative to do so."

He said Nomura had two big orders for the bonds. Other houses believe these to be of $100m each. The Nomura official said the deal was investor-driven, coming from Nomura's salesmen in Asia. "There is very little money in it."

Nomura also handled a $500m deal for the same borrower on January 4, for which a fee was taken.

Some syndicates ware angered by the decision to work for nothing, with one describing it as "an outrageous piece of league table business" and "tha ultimate in fee-cutting". However, most were more relaxed.

One syndicate manager said: "Initially I was aghast. But then I realised it was no better or worse than what has been going on in the market all this year, with issues widening out immediately after launch."

Another said: "All Nomura has done is make very transparent what has been happening. People have been underwriting deals at levels where they cannot hope to make a profit."

A view shared by many was expressed by an official who said: "What is worse is when an outrageous pricing comes to the market. Sometimes the deal is so badly priced and tha syndicate manager is asking other syndicates to sell their badly-priced deal. If Nomura wants to do deals for nothing, that's their business."

Before launching the deal, Nomura checked with IFR, the securities industry magazine which compiles a league table, to see if the deal would be included in the table.

Nomura was told that under new rules which apply from January 30, the deal would be included if fees were disclosed to IFR.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book runner
US DOLLARS							
Student Loan Marketing Assoc.	500	7.50#	99.41	Mar.2000	zero	+19(7¾%-00)	Nomura International
Volvo Group Finance Europe‡	100	(a)	100.00	Mar.2001	0.30	-	CS First Boston
D-MARKS							
Baden-Württemberg L-Finance	1bn	7.00	99.505R	Mar.2000	0.25R	+16(7%-99)	Deutsche/ SBC Frankfurt
Ford Credit Europe	200	7.25	101.879	Mar.2000	2.50	-	DG Bank
SWISS FRANCS							
City of Copenhagen	100	5.375	102.60	Mar.2002	2.50	-	Banque Paribas(Suisse)
DSL Finance	100	5.375	102.85	Mar.2001	2.25	-	Bank von Ernst & Cie.
Meisei Industrial Co.(b)★φ	100	2.00	100.00	Mar.1999	1.625	-	Daiwa Secs.Bank(Switz.)
ITALIAN LIRE							
Abbey Natl.Treas.Services(c)	200bn	11.00	101.065	Apr.1997	1.125	-	Credito Italiano
LUXEMBOURG FRANCS							
Republic of Ireland(c)	2bn	7.75	102.45	Jun.1998	1.375	-	BCEE
ESCUDOS							
European Investment Bank‡	30bn	(d)	100.25	Mar.2005	undiscl.	-	Banco Esst/ BPV CGD

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. ★Unlisted. φWith equity warrants. ‡ Floating-rate note. #Semi-annual coupon. R: fixed re-offer price; fees shown at re-offer level. a) 3-mth Libor +30bp. b) Pricing: 21/3/95. Refixing: 21/2/97. c) Long 1st coupon. d) 3-mth Lisbor -15bp.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		9.000	09/04	92.8700	+0.620	10.18	10.14	7.69
Austria		7.500	01/05	98.8500	+0.120	7.67	7.62	7.70
Belgium		7.750	10/04	96.6000	+0.290	8.28	8.21	8.55
Canada *		9.000	12/04	101.1000	+0.850	8.83	8.92	9.22
Denmark		7.000	12/04	87.9500	+0.060	8.88	8.83	9.10
France	BTAN	8.000	05/98	101.0900	+0.050	7.58	7.60	7.27
	OAT	7.500	04/05	96.8100	+0.350	7.98	7.95	8.46
Germany Bund		7.375	01/05	100.0000	+0.540	7.37	7.38	7.78
Ireland		6.250	10/04	83.7250	+0.725	8.79†	8.79	8.77
Italy		8.500	01/05	86.8700	-0.030	11.96	11.84	12.14
Japan	No 119	4.800	06/99	103.6440	+0.275	3.84	3.99	3.94
	No 164	4.100	12/03	96.9210	+0.092	4.59	4.65	4.72
Netherlands		7.250	10/04	96.1500	+0.440	7.52	7.53	7.87
Portugal		8.875	01/04	85.0000	+0.500	11.86	11.86	11.83
Spain		10.000	02/05	91.4200	+0.170	11.44	11.51	11.80
Sweden		6.000	02/05	72.1130	+0.290	10.68	10.74	10.82
UK Gilts		6.000	08/99	90-30	+20/32	8.49	8.44	8.63
		8.500	12/05	99-14	+30/32	8.58	8.49	8.73
		9.000	10/08	103-14	+27/32	8.57	8.48	8.68
US Treasury *		7.500	02/05	100-25	+25/32	7.39	7.52	7.86
		7.625	02/25	101-00	+24/32	7.54	7.64	7.90
ECU (French Govt)		8.000	04/04	85.1100	+0.260	8.39	8.39	0.80

London closing, *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Lunchtime

		Treasury Bills and Bond Yields			
		One month	5.70	Two year	7.11
Prime rate	9	Two month	0.00	Three year	7.25
Broker loan rate	$6\frac{1}{2}$	Three month	5.94	Five year	7.35
Fed.funds	$6\frac{1}{2}$	Six month	6.33	10-year	7.45
Fed.funds at intervention	-	One year	6.67	30-year	7.58

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	111.92	112.06	+0.10	112.08	111.66	165,522	149,492
Jun	111.06	111.18	+0.10	111.14	110.86	3,378	11,613
Sep	110.36	110.48	+0.12	110.40	110.20	1,751	2,415

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	Calls Mar	Calls Jun	Calls Sep	Puts Mar	Puts Jun	Puts Sep
111	1.13	1.41	-	0.06	1.28	-
112	0.39	0.91	-	0.66	-	-
113	0.06	0.56	-	1.03	-	-
114	0.01	0.28	0.38	-	-	-
116	-	0.12	-	-	-	-

Est. vol. total, Calls 74,046 Puts 30,111 . Previous day's open int., Calls 199,454 Puts 205,495.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	90.56	90.80	+0.43	90.93	90.36	164070	210517
Jun	89.95	90.24	+0.47	90.33	89.80	6606	11600

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	Calls Mar	Calls Apr	Calls May	Calls Jun	Puts Mar	Puts Apr	Puts May	Puts Jun
9050	0.43	0.51	0.71	0.87	0.13	0.77	0.97	1.13
9100	0.18	0.32	0.52	0.65	0.36	1.08	1.28	1.41
9150	0.04	0.19	0.37	0.49	0.74	1.45	1.63	1.75

Est. vol. total, Calls 12946 Puts 13275. Previous day's open int., Calls 223727 Puts 175284

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	100.05	100.14	+0.16	100.34	99.85	31580	53479
Jun	99.00	99.08	+0.21	99.03	98.90	303	2757

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	Calls Mar	Calls Jun	Puts Mar	Puts Jun
10000	0.43	1.32	0.29	2.28
10050	0.20	1.11	0.56	2.52
10100	0.08	0.92	0.94	2.83

Est. vol. total, Calls 3408 Puts 1984. Previous day's open int., Calls Puts

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	85.95	85.58	+0.16	86.17	85.61	66,420	52,525
Jun	-	85.27	-	-	-	89	1,084

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	101-07	101-27	+0-27	102-03	101-03	88931	91298
Jun	101-20	101-30	+0-27	101-29	101-20	553	2727

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	Calls Mar	Calls Apr	Calls May	Calls Jun	Puts Mar	Puts Apr	Puts May	Puts Jun
101	0-62	1-37	1-56	2-13	0-06	0-41	0-60	1-17
102	0-18	0-63	1-20	1-41	0-29	1-03	1-24	1-45
103	0-03	0-36	0-56	1-11	1-13	1-40	1-60	2-15

Est. vol. total, Calls 5104 Puts 10136. Previous day's open int., Calls 45761 Puts 60459

Ecu

■ ECU BOND FUTURES (MATIF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	81.98	82.04	+0.08	82.04	81.74	3,217	6,028
Jun	-	81.82	+0.08	-	-	-	1,656

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Mar	102-10	102-23	+0-14	102-27	102-02	376,137	337,535
Jun	101-28	102-08	+0-15	102-11	101-19	9,550	46,582
Sep	101-20	101-28	+0-17	101-30	101-09	1,280	8,166

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Mar	109.10			109.16	109.05	1772	0
Jun	108.35			108.48	108.35	3547	0

* LIFFE futures also traded on APT. All Open interest figs. are for previous day.

FT-ACTUARIES FIXED INTEREST INDICES

Price Indices UK Gilts	Wed Feb 15	Day's change %	Tue Feb 14	Accrued interest	xd adj. ytd		Low coupon yield Feb 15	Feb 14	Yr. ago	Medium coupon yield Feb 15	Feb 14	Yr. ago	High coupon yield Feb 15	Feb 14	Yr. ago
1 Up to 5 years (23)	119.22	+0.33	118.83	1.98	1.40	5 yrs	8.57	8.71	6.95	8.60	8.71	8.19	8.78	8.89	6.28
2 5-15 years (22)	139.65	+0.68	138.71	1.99	1.73	15 yrs	8.50	8.59	6.73	8.61	8.71	6.81	8.82	8.91	7.01
3 Over 15 years (9)	165.29	+0.83	164.02	1.24	2.96	20 yrs	8.47	8.55	6.83	8.61	8.71	6.82	8.73	8.83	7.02
4 Irredeemables (6)	177.85	+0.26	177.39	3.08	0.00	Irred.†	8.56	8.56	6.92						
5 All stocks (60)	136.56	+0.59	135.76	1.90	1.81										

Index-linked							Inflation 5% Feb 15	Feb 14	Yr. ago	Inflation 10% Feb 15	Feb 14	Yr. ago
6 Up to 5 years (2)	186.89	-0.02	186.72	0.47	1.45	Up to 5 yrs	3.86	3.85	2.13	2.24	2.63	1.19
7 Over 5 years (11)	173.96	+0.22	173.60	0.61	0.80	Over 5 yrs	3.86	3.83	3.03	3.68	3.75	2.84
8 All stocks (13)	174.58	+0.19	174.44	0.60	0.86							

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT FIXED INTEREST INDICES

	Feb 15	Feb 14	Feb 13	Feb 10	Feb 9	Yr ago	High*	Low*
Govt. Secs. (UK)	91.07	90.66	90.71	91.23	91.77	104.21	107.04	89.54
Fixed Interest	109.61	109.92	110.14	110.45	110.47	128.19	133.87	106.50

* for 1994/5. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75). Fixed Interest high since compilation: 133.87 (21/1/94), low 50.53 (3/1/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974.

GILT EDGED ACTIVITY INDICES

	Feb 14	Feb 13	Feb 10	Feb 9	Feb 8
Gilt Edged bargains	195.3	92.2	86.1	90.4	86.1
5-day average	112.8	93.0	90.9	92.3	94.7

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:00 pm on February 15

	Issued	Bid	Offer	Chg.	Yield
U.S. DOLLAR STRAIGHTS					
Abbey Natl Treasury $6\frac{1}{2}$ 03	1000	$90\frac{3}{8}$	$90\frac{5}{8}$	$+\frac{1}{2}$	8.14
Alberta Province $7\frac{5}{8}$ 98	1000	$99\frac{1}{2}$	$99\frac{3}{4}$	$+\frac{1}{8}$	7.77
Austria $6\frac{1}{2}$ 96	400	$103\frac{1}{4}$	$103\frac{1}{2}$	$+\frac{1}{2}$	7.71
Bank Ned Gemeenten 7 99	1000	$97\frac{3}{8}$	$97\frac{3}{4}$	$+\frac{1}{8}$	7.62
Bank of Tokyo $6\frac{5}{8}$ 96	100	$100\frac{3}{4}$	$101\frac{1}{8}$		7.62
United Kingdom $7\frac{1}{4}$ 97	5500	$101\frac{1}{2}$	$101\frac{5}{8}$	$+\frac{1}{8}$	6.48
Volkswagen Intl Fin 7 03	1000	$94\frac{7}{8}$	$95\frac{1}{2}$	$+\frac{1}{8}$	7.86
World Bank 0 15	2000	$22\frac{1}{4}$	$23\frac{1}{2}$	$+\frac{1}{8}$	7.36
World Bank $5\frac{3}{8}$ 03	3000	$89\frac{3}{4}$	$89\frac{1}{2}$	$+\frac{1}{4}$	7.58
World Bank $8\frac{3}{4}$ 05	1250	$110\frac{1}{4}$	113		6.36
Abbey Natl Treasury 8 03 £	1000	$92\frac{1}{8}$	$92\frac{5}{8}$	$+\frac{1}{8}$	8.37
Alliance Leics $11\frac{5}{8}$ 97 £	100	105	$105\frac{1}{4}$	$+\frac{1}{8}$	8.77
British Land $8\frac{7}{8}$ 23 £	150	$89\frac{3}{4}$	90	$+\frac{1}{8}$	10.21
Denmark $6\frac{1}{4}$ 98 £	000	$93\frac{3}{4}$	$94\frac{1}{8}$	$+\frac{1}{2}$	8.82
EIB 8 03 £	1000	91	$94\frac{1}{4}$	$+\frac{1}{2}$	9.04
Halifax $10\frac{3}{8}$ 97 £	100	103	$103\frac{3}{8}$	$+\frac{1}{8}$	8.70

[illegible]

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day. FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread=Margin above six-month offered rate (‡three-month §above mean rate) for US dollars. C.cpn=The current coupon. CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of buying shares via the bond over the most recent price of the shares.

UK GILTS PRICES

[illegible]

Other Fixed Interest

[illegible]

● "Tap" stock. ★ Tax-free to non-residents on application. E Auction basis. xd Ex dividend. Closing mid-prices are shown in pounds per £100 nominal of stock.

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CURRENCIES AND MONEY

MARKETS REPORT

Sterling steady as D-Mark strength continues

Sterling had a steady day yesterday, resisting the rout predicted by some observers after it fell to a two year low against the D-Mark on Tuesday, *writes Philip Gawith*.

The market was cheered by data which suggested the inflation outlook was better than believed, following Monday's poor producer inflation data, which contributed to the sell-off.

Sterling closed in London at DM2.3584, from DM2.3563. It was firmer against the dollar, at $1.5635, from $1.5567.

The D-Mark was again the dominant currency. Not only did it keep sterling and the dollar under pressure, but also the lira and French franc, both of which finished close to record lows, at L1.065 and FFr3.47.

The dollar remained weak, finishing at DM1.5084, from DM1.5137, although it later rallied slightly in New York on the back of strong equity and bond markets.

Interest rate optimism in both the US and UK prompted sharp rallies in short sterling and eurodollar futures. The June eurodollar contract finished on LIFFE at 93.13, from 92.96, while the June short sterling future closed at 92.32, from 92.14.

The Mexican peso continued its slide against the dollar, finishing at 5.945 pesos, compared to 5.34 pesos a week earlier.

■ Most analysts seemed to think that stories of a sterling crisis were overblown, and comparisons with Black Wednesday, when sterling exited from the ERM, inappropriate.

Mr Chris Dillow, economist at Nomura in London, said that while politics was being cited as the main source of sterling weakness, he thought it was more a case of the market worrying that others in the market might be worried about politics.

"The market is trying to jump a gun that may not even go bang," he said.

Mr David Cocker, economist at Chemical Bank in London, laid more stress on politics. He said that in the eyes of the foreign investor, the tensions between the Tories and the Ulster Unionists must have seemed sufficient to make an election imminent.

They would also have been concerned, he said, that Tory squabbles over Europe might consign the UK to the outer core, where governments are less vigilant in fighting inflation.

While few analysts are inclined to get bullish about sterling now, there is little sense that it is overvalued. Swiss Bank Corporation, for example, believe that sterling's purchasing power parity rate against the D-Mark is DM2.33.

Mr Cocker commented: "Normally the combination of strong growth and low inflation would be a dream, but politics seems to have a way of getting in the way."

■ Some observers said the story was more one of D-Mark strength, than sterling weakness. Mr Tony Norfield, UK treasury economist at ABN AMRO, cited the behaviour of options prices over the past few days.

While the price of sterling put options against the D-Mark (giving option holders the right to sell sterling) has risen by around 15 per cent, there has been virtually no price change against the dollar.

This is an indication that the problem is not one of generalised sterling weakness, otherwise holders of sterling would also be seeking protection against the dollar. Instead, sterling actually rose against the dollar.

■ While the 3.3 per cent rise in the retail price index was expected, it was the 0.9 per cent fall in retail sales in January that prompted the rally in short sterling. This encouraged the view that the UK economy might be slowing, and hence that interest rates could be approaching a plateau.

The position of the market was also a factor in the rally. Mr Richard Phillips, analyst at brokers GNI, said the market had been caught "short", and the rush to cover positions had prompted the rally.

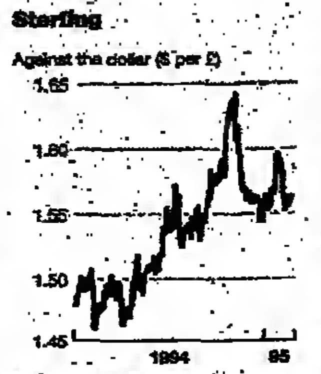
December short sterling is still discounting three month money around 8.5 per cent, a rate considerably above what most economists expect.

Cash market rates eased slightly, with three month LIBOR finishing at 6$\frac{13}{16}$ per cent, from 6$\frac{27}{32}$ per cent, and one year money closing at 7$\frac{7}{16}$ per cent, from 8 per cent.

The Bank of England provided money markets with £5m assistance at established rates, and £265m late assistance, after forecasting a £400m shortage.

Sterling

Against the dollar ($ per £)



Source: FT Graphite

■ Pound in New York

Feb 15	Latest	Prev. close
£ spot	1.5600	1.5630
1 mth	1.5594	1.5624
3 mth	1.5582	1.5612
1 yr	1.5500	1.5530

■ OTHER CURRENCIES

Feb 15	£	$
Hungary	179.685 - 180.546	115.140 - 115.440
Iran	2718.00 - 2721.00	1748.80 - 1750.00
Kuwait	0.4667 - 0.4677	0.2986 - 0.2987
Poland	3.8086 - 3.8146	2.4375 - 2.4390
Russia	6698.00 - 6702.72	4284.00 - 4287.00
U.A.E.	5.7390 - 5.7450	3.6718 - 3.6733

POUND SPOT FORWARD AGAINST THE POUND

Feb 15		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	16.5969	-0.0267	897 - 081	16.6943	16.5570	16.5864	0.8	16.6527	1.1	-	-	105.8
Belgium	(BFr)	48.5467	+0.0881	233 - 700	48.6030	48.4210	48.4917	1.4	48.3617	1.4	47.8117	1.5	107.7
Denmark	(DKr)	9.2856	+0.0098	803 - 909	9.3007	9.2648	9.2791	0.8	9.2674	0.8	9.2088	0.8	107.1
Finland	(FM)	7.2653	+0.0218	575 - 731	7.2890	7.2280	-	-	-	-	-	-	84.8
France	(FFr)	8.1639	+0.0155	909 - 969	8.1938	8.1613	8.1772	1.0	8.1841	1.0	8.0914	1.1	107.5
Germany	(DM)	2.3584	+0.0021	570 - 598	2.3631	2.3518	2.3558	1.5	2.3488	1.6	2.3117	2.0	109.6
Greece	(Dr)	369.885	-0.213	728 - 042	374.532	368.356	-	-	-	-	-	-	68.9
Ireland	(I£)	1.0056	+0.0016	050 - 066	1.0079	1.0027	1.0052	0.7	1.0045	0.5	1.0029	0.3	98.9
Italy	(L)	2511.11	+8.79	016 - 205	2513.28	2500.57	2514.61	-1.6	2523.76	-2.0	2565.01	-2.1	73.2
Luxembourg	(LFr)	48.5467	+0.0881	233 - 700	48.6030	48.4210	48.4917	1.4	48.3617	1.4	47.8117	1.5	107.7
Netherlands	(Fl)	2.6427	+0.0031	410 - 443	2.6487	2.6368	2.6395	1.4	2.6322	1.6	2.592	1.9	107.6
Norway	(NKr)	10.3340	-0.0041	283 - 396	10.3560	10.2797	10.3329	0.1	10.3309	0.1	10.3208	0.1	98.4
Portugal	(Es)	243.765	+0.218	609 - 921	243.999	242.954	244.365	-3.0	246.015	-3.7	-	-	95.6
Spain	(Pta)	202.935	+0.488	831 - 039	203.049	202.088	203.215	-1.7	203.87	-1.8	207.14	-2.1	79.8
Sweden	(SKr)	11.5129	+0.0217	032 - 225	11.5257	11.4838	11.5239	-1.1	11.5484	-1.2	11.6299	-1.0	81.2
Switzerland	(SFr)	1.9925	+0.0015	913 - 936	1.9943	1.9870	1.9881	2.6	1.979	2.7	1.9311	3.1	108.7
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	87.0
Ecu	-	1.2520	+0.0015	513 - 526	1.2529	1.2491	1.2513	0.7	1.2501	0.6	1.2418	0.8	-
SDR†	-	0.945340	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.5636	+0.007	630 - 642	1.5654	1.5578	-	-	-	-	-	-	-
Brazil	(Cr)	1.3071	+0.0072	051 - 091	1.3091	1.3014	-	-	-	-	-	-	-
Canada	(C$)	2.1943	+0.0128	932 - 954	2.1966	2.1849	2.1983	-1.1	2.2008	-1.2	2.2059	-0.5	81.7
Mexico	(New Peso)	9.2951	+0.3518	530 - 371	9.3371	9.1283	-	-	-	-	-	-	-
USA	($)	1.5635	+0.0068	630 - 640	1.5652	1.5575	1.5629	0.5	1.5617	0.4	1.554	0.6	95.1
Pacific/Middle East/Africa													
Australia	(A$)	2.0943	+0.0021	929 - 957	2.0957	2.0929	2.0982	-1.1	2.1012	-1.3	2.1259	-1.6	88.2
Hong Kong	(HK$)	12.0875	+0.0531	828 - 921	12.0990	12.0407	12.0865	0.1	12.113	-0.8	12.0128	0.6	-
India	(Rs)	49.0490	+0.2173	313 - 666	49.0970	48.8670	-	-	-	-	-	-	-
Israel	(Shk)	4.7092	+0.0134	037 - 147	4.7147	4.6960	-	-	-	-	-	-	-
Japan	(Y)	153.856	+0.241	768 - 945	154.160	153.430	153.348	4.0	152.161	4.4	146.086	5.1	148.2
Malaysia	(M$)	3.9889	+0.0169	872 - 905	3.9923	3.9736	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.4632	+0.0003	610 - 653	2.4663	2.4610	2.4672	-1.9	2.4762	-2.1	2.5053	-1.7	99.2
Philipines	(Peso)	38.9312	+0.2472	406 - 218	39.0218	38.8406	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.8636	+0.0257	618 - 656	5.8698	5.8417	-	-	-	-	-	-	-
Singapore	(S$)	2.2743	+0.0105	728 - 758	2.2774	2.2677	-	-	-	-	-	-	-
S Africa (Com.)	(R)	5.5454	+0.0288	424 - 483	5.5496	5.5182	-	-	-	-	-	-	-
S Africa (Fin.)	(R)	6.1524	+0.0267	348 - 700	6.1700	6.1195	-	-	-	-	-	-	-
South Korea	(Won)	1240.40	+10.53	993 - 088	1241.67	1232.96	-	-	-	-	-	-	-
Taiwan	(T$)	41.2092	+0.1769	929 - 255	41.2506	41.0541	-	-	-	-	-	-	-
Thailand	(Bt)	39.0675	+0.11	594 - 156	39.1590	38.9600	-	-	-	-	-	-	-

†SDR rates for Feb 14. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Feb 15		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P. Morgan Index
Europe													
Austria	(Sch)	10.6165	-0.0636	140 - 190	10.6790	10.6025	10.6695	1.2	10.6475	1.2	10.529	1.4	105.5
Belgium	(BFr)	31.0500	-0.079	450 - 550	31.0950	31.0050	31.104	1.0	31.059	0.9	30.844	0.9	107.3
Denmark	(DKr)	5.9390	-0.0198	375 - 405	5.9490	5.9325	5.9568	0.4	5.9538	0.3	5.9458	0.2	108.0
Finland	(FM)	4.6468	-0.0063	433 - 503	4.6705	4.6283	4.6504	0.7	4.6461	0.6	4.6356	0.4	83.9
France	(FFr)	5.2344	-0.0129	341 - 348	5.2430	5.2245	5.2449	0.6	5.2405	0.5	5.2198	0.5	107.0
Germany	(DM)	1.5084	-0.0053	080 - 088	1.5113	1.5064	1.5124	1.0	1.5092	1.2	1.4929	1.4	108.9
Greece	(Dr)	236.575	-1.17	550 - 600	239.900	236.050	240.045	-11.6	244.495	-11.4	262.245	-10.3	68.2
Ireland	(I£)	1.5545	+0.0039	537 - 552*	1.5577	1.5501	1.5508	-0.1	1.5504	0.1	1.5496	0.1	-
Italy	(L)	1606.06	-1.37	600 - 616	1607.50	1602.30	1610.2	-2.1	1617.35	-2.5	1651.95	-2.8	72.8
Luxembourg	(LFr)	31.0500	-0.079	450 - 550	31.0950	31.0050	31.104	1.0	31.059	0.9	30.844	0.9	107.3
Netherlands	(Fl)	1.6902	-0.0055	897 - 907	1.6942	1.6889	1.6944	1.0	1.6909	1.1	1.6729	1.3	105.9
Norway	(NKr)	6.6095	-0.0315	080 - 110	6.6342	6.5767	6.6363	0.8	6.629	0.7	6.5965	0.7	97.2
Portugal	(Es)	155.910	-0.54	860 - 960	156.050	155.700	156.825	-2.9	157.775	-3.4	161.825	-3.4	95.7
Spain	(Pta)	129.795	-0.255	770 - 820	129.880	129.550	130.275	-2.1	130.795	-2.3	133.55	-2.7	79.5
Sweden	(SKr)	7.3635	-0.0183	597 - 673	7.3823	7.3559	7.3916	-1.8	7.4128	-1.7	7.5016	-1.6	80.6
Switzerland	(SFr)	1.2744	-0.0048	740 - 747	1.2783	1.2720	1.2766	2.2	1.2718	2.3	1.2472	2.5	107.9
UK	(£)	1.5635	+0.0068	630 - 640	1.5652	1.5575	1.5581	0.5	1.555	0.4	1.5472	0.6	85.4
Ecu	-	1.2488	+0.004	486 - 491	1.2505	1.2473	1.2451	-0.2	1.2454	-0.2	-	-	-
SDR†	-	1.46972	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.0001	+0.0001	000 - 001	1.0001	1.0000	-	-	-	-	-	-	-
Brazil	(Cr)	0.8360	+0.001	350 - 370	0.8370	0.8350	-	-	-	-	-	-	-
Canada	(C$)	1.4035	+0.0021	032 - 037	1.4039	1.4005	1.4031	-1.5	1.407	-1.6	1.4174	-1.1	81.1
Mexico	(New Peso)	5.9450	+0.2	200 - 700	5.9700	5.9200	5.7458	-0.2	5.7462	-0.1	5.7476	0.0	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	96.3
Pacific/Middle East/Africa													
Australia	(A$)	1.3394	-0.0045	391 - 400	1.3443	1.3388	1.3458	-1.7	1.3503	-1.9	1.3751	-2.3	87.1
Hong Kong	(HK$)	7.7310	+0.0003	305 - 315	7.7315	7.7300	7.7318	-0.2	7.7329	-0.1	7.7377	-0.1	-
India	(Rs)	31.3713	+0.0025	700 - 725	31.3750	31.3700	31.4488	-3.1	31.6938	-4.1	-	-	-
Israel	(Shk)	3.0120	-0.0045	094 - 145	3.0176	3.0094	-	-	-	-	-	-	-
Japan	(Y)	98.4050	-0.275	800 - 300	98.6900	98.2000	98.39	3.5	97.72	3.9	94.285	4.5	149.8
Malaysia	(M$)	2.5513	-0.0003	510 - 515	2.5518	2.5490	2.5496	0.9	2.5451	1.0	2.5291	0.9	-
New Zealand	(NZ$)	1.5763	-0.0087	746 - 783	1.5814	1.5746	1.5847	-2.0	1.5923	-2.6	1.618	-2.3	-
Philipines	(Peso)	24.9000	+0.05	500 - 500	24.9500	24.8500	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7503	+0.0001	502 - 504	3.7505	3.7502	3.7528	-0.8	3.7561	-0.6	3.7677	-0.5	-
Singapore	(S$)	1.4548	+0.0004	541 - 551	1.4580	1.4525	1.4492	4.1	1.4439	2.8	1.4204	2.3	-
S Africa (Com.)	(R)	3.5468	+0.003	460 - 475	3.5480	3.5390	3.5573	-4.6	3.592	-5.4	3.7613	-6.1	-
S Africa (Fin.)	(R)	3.9350	-	250 - 450	3.9450	3.8200	3.9625	-8.4	4.0125	-7.8	4.245	-7.8	-
South Korea	(Won)	793.350	+3.3	300 - 400	793.400	789.600	793.05	-4.6	798.55	-3.3	815.05	-3.2	-
Taiwan	(T$)	26.3570	-0.0015	550 - 590	26.3700	26.3550	26.3785	-0.9	26.4185	-0.9	-	-	-
Thailand	(Bt)	25.0000	-0.0385	900 - 100	25.0300	24.9800	25.051	-0.6	25.065	-0.4	25.081	-0.2	-

†SDR rate for Feb 14. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Feb 14. Base average 1990=100

WORLD INTEREST RATES

MONEY RATES

February 15	Over night	One month	Three mths
Belgium	4⅞	5⅜	5⅝
week ago	4⅞	5⅜	5⅝
France	5$\frac{13}{16}$	5½	5⅝
week ago	5$\frac{11}{16}$	5½	5⅝
Germany	4.93	4.95	5.05
week ago	4.93	4.95	5.05
Ireland	5¼	5¾	6¼
week ago	5¼	5¾	6¼
Italy	8¼	8⅜	8$\frac{9}{16}$
week ago	8⅞	8⅜	8$\frac{11}{16}$
Netherlands	4.84	5.02	5.10
week ago	4.84	5.02	5.15
Switzerland	3¼	3$\frac{11}{16}$	3⅞
week ago	3⅞	3$\frac{13}{16}$	3⅞
US	6⅛	6¼	6¼
week ago	6	6¼	6¼
Japan	2⅛	2¼	2¼
week ago	2⅜	2⅜	2⅜
■ $ LIBOR FT London			
Interbank Fixing	-	6⅛	6¼
week ago	-	6⅛	6¼
US Dollar CDs	-	5.92	6.07
week ago	-	5.92	6.04
SDR Linked Ds	-	4.25	4.438
week ago	-	4.25	4.812

ECU Linked Ds mid rates: 1 mth. 5$\frac{13}{16}$; 3 mths: [illegible] $ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster. Mid rates are shown for the domestic Money Rates, US $ CDs and SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Feb 15	Short term	7 days notice
Belgian Franc	5¼ - 4$\frac{13}{16}$	5$\frac{3}{16}$ - 4$\frac{15}{16}$
Danish Krone	5¼ - 5	5¾ - 5½
D-Mark	5 - 4⅞	5 - 4⅞
Dutch Guilder	5 - 4⅞	5 - 4⅞
French Franc	5⅞ - 5¼	5$\frac{7}{16}$ - 5$\frac{5}{16}$
Portuguese Esc.	8$\frac{11}{16}$ - 6$\frac{5}{16}$	8⅞ - 8¼
Spanish Peseta	8 - 7⅞	8¼ - 7$\frac{15}{16}$
Sterling	6¾ - 6½	8⅞ - 6⅜
Swiss Franc	3⅞ - 3¼	3½ - 3⅜
Can. Dollar	7⅝ - 7⅜	7$\frac{11}{16}$ - 7$\frac{7}{16}$
US Dollar	6$\frac{5}{16}$ - 6$\frac{1}{16}$	6$\frac{1}{16}$ - 5$\frac{15}{16}$
Italian Lira	9 - 7½	8$\frac{9}{16}$ - 6$\frac{5}{16}$
Yen	2¼ - 2$\frac{3}{16}$	2¼ - 2$\frac{3}{16}$
Asian $Sing	2 - 1⅞	1½ - 1⅜

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ THREE MONTH PIBOR FUTURES (MATIF)

	Open	Sett price	Change
Mar	94.01	94.00	-0.06
Jun	93.51	93.49	-0.08
Sep	93.18	93.17	-0.07

* LIFFE futures also traded on APT

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Feb 15		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	19.13	16.86	4.858	2.070	6173	5.448	21.28	502.1	418.0	23.71	4.104	2.060	4.520	3.220	318.9	2.579
Denmark	(DKr)	52.28	10	8.813	2.540	1.082	2704	2.845	11.13	262.5	218.5	12.40	2.145	1.077	2.363	1.683	165.8	1.348
France	(FFr)	59.32	11.35	10	2.882	1.228	3068	3.229	12.62	297.8	248.0	14.07	2.434	1.222	2.681	1.910	188.0	1.530
Germany	(DM)	20.59	3.938	3.470	1	0.426	1065	1.120	4.381	103.4	86.05	4.881	0.845	0.424	0.930	0.663	65.22	0.531
Ireland	(I£)	48.30	9.239	8.142	2.346	1	2499	2.629	10.28	242.6	201.9	11.45	1.982	0.995	2.183	1.555	153.0	1.246
Italy	(L)	1.933	0.370	0.326	0.094	0.040	100.	0.105	0.411	9.705	8.080	0.458	0.079	0.040	0.087	0.062	6.125	0.050
Netherlands	(Fl)	18.37	3.514	3.097	0.893	0.380	950.4	1	3.910	92.24	76.80	4.357	0.754	0.379	0.830	0.592	58.21	0.474
Norway	(NKr)	46.99	8.988	7.922	2.283	0.973	2431	2.558	10	235.9	196.4	11.14	1.928	0.968	2.124	1.513	148.9	1.212
Portugal	(Es)	19.92	3.810	3.358	0.968	0.412	1030	1.084	4.239	100.	83.26	4.723	0.817	0.410	0.900	0.641	63.11	0.514
Spain	(Pta)	23.92	4.576	4.033	1.162	0.495	1238	1.302	5.091	120.1	100.	5.673	0.982	0.493	1.081	0.770	75.80	0.617
Sweden	(SKr)	42.17	8.067	7.109	2.049	0.873	2182	2.295	8.975	211.7	176.3	10	1.731	0.869	1.906	1.358	133.6	1.088
Switzerland	(SFr)	24.37	4.661	4.108	1.184	0.505	1261	1.326	5.186	122.3	101.9	5.778	1	0.502	1.101	0.785	77.21	0.629
UK	(£)	48.54	9.285	8.183	2.358	1.005	2511	2.642	10.33	243.7	202.9	11.51	1.992	1	2.194	1.563	153.8	1.252
Canada	(C$)	22.12	4.232	3.730	1.075	0.458	1144	1.204	4.708	111.1	92.48	5.246	0.908	0.456	1	0.712	70.10	0.571
US	($)	31.06	5.940	5.235	1.509	0.643	1607	1.690	6.609	155.9	129.8	7.364	1.274	0.640	1.404	1	98.40	0.801
Japan	(Y)	31.56	6.037	5.321	1.533	0.653	1633	1.718	6.717	158.5	131.9	7.484	1.295	0.650	1.427	1.016	100.	0.814
Ecu		38.77	7.416	6.536	1.883	0.803	2006	2.110	8.251	194.6	162.1	9.193	1.591	0.799	1.752	1.248	122.8	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	0.6634	0.6630	-0.0004	0.6650	0.6622	47,092	83,016
Jun	0.6654	0.6651	-0.0006	0.6661	0.6648	1,258	4,807
Sep	0.6674	0.6674	-0.0007	0.6674	0.6674	28	751

■ JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	1.0175	1.0199	+0.0021	1.0213	1.0184	25,800	74,516
Jun	1.0309	1.0310	+0.0019	1.0322	1.0309	664	8,176
Sep	1.0430	1.0430	+0.0020	1.0430	1.0430	12	788

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	0.7863	0.7857	-0.0008	0.7873	0.7850	24,544	39,580
Jun	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	525	1,541
Sep	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	187

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	1.5612	1.5616	+0.0004	1.5650	1.5570	20,088	44,567
Jun	1.5600	1.5610	-	1.5630	1.5580	52	1,651
Sep	-	1.5570	-	1.5590	-	2	6

EMS EUROPEAN CURRENCY UNIT RATES

Feb 15	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Netherlands	2.19672	2.12287	-0.00222	-3.36	9.21	-
Belgium	40.2123	38.9600	-0.0289	-3.08	8.88	22
Austria	13.7167	13.3295	-0.0140	-2.90	8.61	-
Germany	1.94964	1.89402	-0.00198	-2.85	8.64	-
Ireland	0.808628	0.807069	+0.001544	-0.19	5.75	1
Denmark	7.43679	7.45863	-0.00009	0.30	5.23	-2
France	6.53883	6.56948	+0.00412	0.47	5.06	-4
Portugal	192.854	195.729	+0.145	1.49	3.99	-10
Spain	154.250	162.600	+0.258	5.54	0.00	-39
NON ERM MEMBERS						
Greece	264.513	297.114	-0.088	12.32	-6.04	-
Italy	1793.19	2014.16	+5.74	12.32	-6.04	-
UK	0.786749	0.802896	+0.000629	2.04	3.43	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu: a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by the Financial Times.

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	Calls Mar	Calls Apr	Calls May	Puts Mar	Puts Apr	Puts May
1.500	6.07	6.23	6.50	-	0.26	0.52
1.525	3.74	4.16	4.59	0.15	0.69	1.07
1.550	1.85	2.51	3.01	0.70	1.50	1.95

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

Strike Price	Calls Mar	Calls Jun	Calls Sep	Puts Mar	Puts Jun	Puts Sep
9300	0.10	0.03	0.06	0.05	0.72	1.20
9325	0.01	0.01	0.03	0.21	0.95	1.42
9350	0	0	0.02	0.45	1.18	1.66

Est. vol. total, Calls 15789 Puts 18862. Previous day's open int., Calls 203896 Puts 179911

BASE LENDING RATES

	%
Adam & Company	6.75
Allied Trust Bank	6.75
AIB Bank	6.75
●Henry Ansbacher	6.75
Bank of Baroda	6.75
Banco Bilbao Vizcaya	6.75
Bank of Cyprus	6.75
Bank of Ireland	6.75
Bank of India	6.75
Bank of Scotland	6.75
Barclays Bank	6.75
Brit Bk of Mid East	6.75
●Brown Shipley & Co Ltd	6.75
Citibank NA	6.75
Clydesdale Bank	6.75
The Co-operative Bank	6.75
Coutts & Co	6.75
Credit Lyonnais	6.75
Cyprus Popular Bank	6.75
Duncan Lawrie	6.75
Exeter Bank Limited	7.75
Financial & Gen Bank	7.00
●Robert Fleming & Co	6.75
Girobank	6.75
●Guinness Mahon	6.75
Habib Bank AG Zurich	6.75
●Hambros Bank	6.75
Heritable & Gen Inv Bk	6.75
●Hill Samuel	6.75
C. Hoare & Co	6.75
Hongkong & Shanghai	6.75
Julian Hodge Bank	6.75
●Leopold Joseph & Sons	6.75
Lloyds Bank	6.75
Meghraj Bank Ltd	6.75
Midland Bank	6.75
* Mount Banking	6.75
NatWestminster	6.75
●Rea Brothers	6.75
* Roxburghe Guarantee Corporation Limited is no longer authorised as a banking institution.	9
Royal Bk of Scotland	6.75
Singer & Friedlander	6.75
●Smith & Williamson Secs	6.75
TSB	6.75
●United Bk of Kuwait	6.75
Unity Trust Bank Plc	6.75
Western Trust	6.75
Whiteaway Laidlaw	6.75
Yorkshire Bank	6.75

● Members of London Investment Banking Association
* In administration

LONDON SHARE SERVICE

BANKS, MERCHANT

BANKS, RETAIL

BREWERIES

BUILDING & CONSTRUCTION

BUILDING MATS. & MERCHANTS

BUILDING MATS. & MERCHANTS - Cont.

CHEMICALS

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ELECTRONIC & ELECTRICAL EQPT - Cont.

ENGINEERING

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

FOOD PRODUCERS

GAS DISTRIBUTION

HEALTH CARE

HEALTH CARE - Cont.

HOUSEHOLD GOODS

INSURANCE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL

[illegible]

OTHER INVESTMENT TRUSTS

[illegible]

INVESTMENT COMPANIES

[illegible]

INVESTMENT COMPANIES - Cont.

[illegible]

LEISURE & HOTELS

[illegible]

LIFE ASSURANCE

[illegible]

MEDIA

[illegible]

OIL EXPLORATION & PRODUCTION

[illegible]

OIL EXPLORATION & PRODUCTION - Cont.

[illegible]

OIL, INTEGRATED

[illegible]

OTHER FINANCIAL

[illegible]

OTHER SERVICES & BUSINESSES

[illegible]

PAPER, PACKAGING & PRINTING

[illegible]

PHARMACEUTICALS

[illegible]

PROPERTY

[illegible]

RETAILERS, FOOD

[illegible]

RETAILERS, GENERAL

[illegible]

RETAILERS, GENERAL - Cont.

[illegible]

SPIRITS, WINES & CIDERS

[illegible]

SUPPORT SERVICES

[illegible]

TELECOMMUNICATIONS

[illegible]

TEXTILES & APPAREL

[illegible]

TOBACCO

[illegible]

TRANSPORT

[illegible]

TRANSPORT - Cont.

[illegible]

WATER

[illegible]

AMERICANS

[illegible]

CANADIANS

[illegible]

SOUTH AFRICANS

[illegible]

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by Extel Financial, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column only as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.
- * Highs and lows marked thus have been adjusted to allow for capital changes
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ♦ Figures or report awaited
- ♥ Rule 2.1(a)(v) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below
- ☆ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Rule 4.2(a) Irish incorporated non-listed companies.
- # Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
c Cents.
f Flat yield.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
v Not subject to ACT.
z Dividend yield includes a special payment
F Yield based on prospectus or other official estimates for 1994-95.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1995.
K Yield based on prospectus or other official estimates for 1994
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1995-96.
N Figures based on BMR "Headline Earnings"
P Figures based on prospectus or other official estimates for 1994.
$ Forecast annualised yield, p/e based on prospectus or other official estimates.
T Figures assumed.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xC ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1275 a year for each security shown, subject to the Editor's discretion

FT Free Annual Reports Service

You can obtain the current annual/interim report of any company annotated with ♣. Please quote the code FT8419. Ring 0181-770 0770 (open 24 hours including weekends) or Fax 0181-770 3822. If calling from outside the UK, ring +44 181 770 0770 or fax +44 181 770 3822. Reports will be sent the next working day, subject to availability.

FT Cityline

Up-to-the-second share prices are available by telephone from the FT Cityline service. See Monday's share price pages for details.

An international service is available for callers outside the UK, annual subscription £250 stg.

Call 0171-873 4378 (+44 171 873 4378, international) for more information on FT Cityline.

FT MANAGED FUNDS SERVICE

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OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

[illegible]

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 71) 873 4378 for more details.

OTHER OFFSHORE FUNDS

OFFSHORE INSURANCES

FT - SE Actuaries Share Indices

14 February 1995	Div. yield%	Earn. yield%	P/E ratio	Xd adj. ytd	Total Return
FT-SE 100	4.27	7.24	16.31	7.61	1175.50
FT-SE Mid 250	3.67	6.37	18.72	9.31	1307.90
FT-SE Mid 250 ex Inv Trusts	3.81	6.88	17.45	9.44	1310.33
FT-SE-A 350	4.13	7.04	16.81	3.88	1202.64
FT-SE-A 350 Higher Yield	5.13	7.51	15.92	5.79	1008.79
FT-SE-A 350 Lower Yield	3.11	6.57	17.81	2.01	993.53
FT-SE SmallCap	3.38	6.49	19.31	3.83	1346.28
FT-SE SmallCap ex Inv Trusts	3.58	7.29	17.41	4.01	1333.10
FT-SE-A ALL-SHARE	4.07	7.00	16.98	3.80	1209.29

■ FT-SE Actuaries All-Share

	Div. yield%	Earn yield%	P/E ratio	Xd adj. ytd	Total Return
10 MINERAL EXTRACTION(24)	3.60	5.04	25.08	0.00	1084.31
12 Extractive Industries(7)	3.48	5.58	22.15	0.00	982.25
15 Oil, Integrated(3)	3.74	5.57	22.37	0.00	1113.10
16 Oil Exploration & Prod(14)	2.51	‡	‡	0.00	1124.73
20 GEN INDUSTRIALS(276)	4.29	5.98	19.91	1.77	937.55
21 Building & Construction(35)	4.09	6.88	19.55	0.61	731.36
22 Building Matls & Merchs(31)	4.37	6.32	19.08	0.20	831.46
23 Chemicals(23)	4.32	5.39	22.56	0.59	979.17
24 Diversified Industrials(17)	5.13	6.53	17.80	3.08	941.78
25 Electronic & Elect Equip(36)	4.05	6.83	17.37	2.01	927.97
26 Engineering(72)	3.48	5.65	20.78	2.87	1003.56
27 Engineering, Vehicles(13)	4.71	1.63	80.00†	0.18	1039.85
28 Paper, Pckg & Printing(27)	3.31	5.83	19.49	0.17	1073.95
29 Textiles & Apparel(21)	4.60	6.65	19.53	1.60	844.41
30 CONSUMER GOODS(95)	4.30	7.18	16.27	17.60	898.70
31 Breweries(18)	4.45	8.54	14.08	10.49	984.91
32 Spirits, Wines & Ciders(10)	4.45	7.68	15.39	26.30	875.10
33 Food Producers(24)	4.19	7.47	15.90	14.23	1008.84
34 Household Goods(10)	3.48	6.55	18.39	0.45	925.40
36 Health Care(18)	3.08	3.41	40.69	0.58	945.62
37 Pharmaceuticals(13)	4.02	6.15	16.90	25.70	1134.09
38 Tobacco(2)	5.76	9.76	11.18	0.00	851.08
40 SERVICES(231)	3.40	7.35	16.45	4.73	923.15
41 Distributors(32)	4.16	13.82	6.75	1.53	786.18
42 Leisure & Hotels(29)	3.40	5.75	20.78	8.83	1053.38
43 Media(43)	2.68	5.88	19.95	1.99	949.11
44 Retailers, Food(16)	3.72	9.08	13.53	2.54	1089.28
45 Retailers, General(45)	3.49	7.59	16.33	7.47	838.57
48 Support Services(36)	2.84	6.53	18.04	1.08	905.31
49 Transport(21)	3.85	6.87	17.21	3.32	875.00
51 Other Services & Business(7)	3.67	4.56	29.59	5.42	1060.27
60 UTILITIES(37)	4.53	7.47	16.30	6.85	943.19
62 Electricity(17)	4.04	10.07	11.84	19.89	1073.96
64 Gas Distribution(2)	5.86	‡	‡	0.00	960.34
66 Telecommunications(5)	4.13	6.80	17.94	0.13	859.20
68 Water(13)	5.67	13.36	8.17	4.82	916.17
69 NON-FINANCIALS(685)	4.04	6.74	17.80	4.60	1177.88
70 FINANCIALS(119)	4.59	9.48	12.22	2.42	855.96
71 Banks, Retail(9)	4.43	10.25	11.11	4.85	847.42
72 Banks, Merchant(8)	3.60	9.04	12.81	0.00	937.15
73 Insurance(27)	5.47	8.74	11.71	0.57	897.41
74 Life Assurance(6)	5.48	7.98	15.32	0.00	905.82
77 Other Financial(23)	4.03	6.05	14.70	2.11	1001.17
78 Property(46)	4.38	7.79	16.14	0.67	798.24
80 INVESTMENT TRUSTS(133)	2.38	2.04	48.92	5.00	888.98
89 FT-SE-A ALL-SHARE(917)	4.07	7.00	16.98	3.80	1209.29
FT-SE-A Fledgling	2.91	–	–	2.42	995.17
FT-SE-A Fledgling ex Inv Trusts	3.07	–	–	2.56	986.95

LONDON STOCK EXCHANGE

MARKET REPORT

Firm close follows flow of economic statistics

By Terry Byland,
UK Stock Market Editor

It was left to British and US government bonds to come to the aid of a UK equity market unsettled yesterday by confirmation of a sharp fall in domestic retail sales. The FT-SE 100-share Index turned firmer only at the end of the session when gilts were sharply higher and the Dow Industrial Average had opened strongly.

However, traders expressed satisfaction with the UK market's overall response to the day's heavy list of economic data on both sides of the Atlantic. The gains in UK government bonds, in spite of some continued nervousness over sterling, appeared to set a favourable background for equities when the market opens this morning.

The FT-SE 100 Index finished a net 3.6 up at 3,074.9, having been nearly 11 points off in early trading as dealers positioned themselves for the UK economic data.

The 3.3 per cent jump in UK annual inflation in January, while uncomfortably close to the upper end of the official target range, was in line with market predictions. Taken together with a dip in British unemployment, the inflation number was considered acceptable, but the market was less pleased with the 0.9 per cent fall in January retail sales and in the continued cloud over sterling.

Supported by firmness in UK gilts, equities steadied, but remained nervous as investors waited to see how New York would take its own barrage of economic data. In the event, growth of 0.4 per cent in the US CPI and also in industrial production, together with a very strong capacity utilisation figure, was regarded as acceptable, and likely to ease pressures for a further raising of Federal Reserve interest rates.

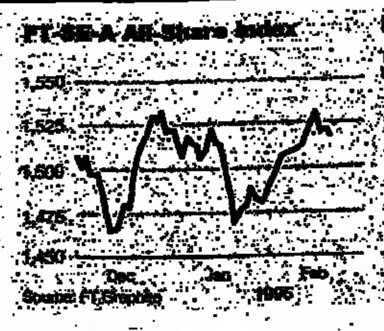
US Federal bonds turned higher, but London was slow to follow until the Dow Industrial Average threw off early hesitancy to record a gain of 28 points in UK trading hours, coming close to challenging its all-time record.

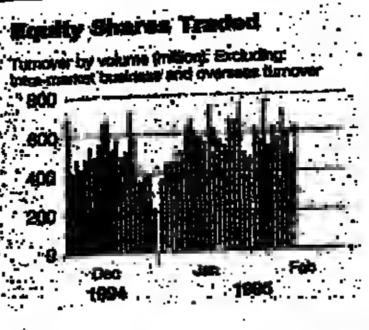
Market strategists settled for a favourable view of yesterday's session, which had been regarded as a significant test of stock market optimism on interest rates, both in the UK and the US. Some analysts, pointing to worries which have settled around sterling, suggested that the fall in retail sales could be interpreted as an indication that UK base rates may be too high at present.

The late upturn focused on the blue chip Footsie stocks, and the second line issues had little opportunity to participate. At a closing reading of 3,453.2, the FT-SE Mid 250 Index was 8.8 points down on the day.

Bid speculation, which has been a significant driving force behind the latest upturn in equities, remained a feature. Wellcome's defence document against Glaxo's unwanted £9bn-plus bid received a dusty answer from Glaxo and left the market to weigh the chances that a new bidder may yet enter the lists.

The excitement prompted among the regional electricity companies by official clearance for the Trafalgar House bid for Northern Electric turned towards some other utility stocks, and hints of takeover moves in the financial sector returned.





Indices and ratios

FT-SE 100	3074.9	+3.6
FT-SE Mid 250	3453.2	-8.8
FT-SE-A 350	1535.9	+0.5
FT-SE-A All-Share	1518.36	+0.15
FT-SE-A All-Share yield	4.07	(4.07)
FT Ordinary Index	2334.1	-0.6
FT-SE-A Non Fins p/e	17.78	(17.80)
FT-SE100 Fut Mar	3075.0	+4.0
10 yr Gilt yield	8.63	(8.76)
Long gilt/equity yld ratio:	2.14	(2.17)

Best performing sectors

1 Banks, Retail .... +1.1
2 Banks, Merchant .... +0.8
3 Tobacco .... +0.5
4 Pharmaceuticals .... +0.4
5 Life Assurance .... +0.4

Worst performing sectors

1 Oil Exploration .... -1.2
2 Extractive Inds .... -1.2
3 Electricity .... -1.1
4 Building & Const .... -0.9
5 Other Ser & Bus .... -0.8

Focus on Wellcome defence

The bid battle in the pharmaceuticals sector hotted up yesterday as Wellcome published its defence to Glaxo's £9bn-plus bid. Also, the possibility that a counter-bidder might step in appeared to gain credibility.

Wellcome released a set of forecasts for its key treatments which wee higher than the estimates of many analysts. Consequently, its share price gained 8 at 1023p, putting it at a possible premium to the Glaxo offer price.

At that level, according to Mr Ian Smith of Lehman Brothers, it is about 15p ahead of the theoretical offer price. "It is proof that the market is just starting to think there is an outside chance that someone else will come in with a higher offer," he said.

Several pharmaceuticals experts commented that Wellcome's defence meeting contained large amounts of surprisingly steely confidence. "It has effectively put itself up for sale now and is making a strong case that it is worth more than Glaxo is prepared to pay," Mr Smith added.

Other analysts were more cautious, arguing that the game had not changed. They said Wellcome's claim that it was undervalued was irrelevant as it was only worth what the market would pay for it. Glaxo was steady at 643p.

Shares in Ladbroke, the UK hotels and leisure group, attracted attention as word went round the market that Kleinwort Benson was bidding 180p apiece for 8m shares.

Kleinwort is believed to have had few problems in obtaining the stock. It sold on the majority of the holding in a block of about 6m transacted at 182p, although dealers suggested smaller blocks were traded at 181p. Turnover in Ladbroke at the close stood at 18m with the shares 1½ up at 178p.

There was little hint of the identity of the buyer nor the seller, although the shares have been in demand in recent sessions and have outperformed the market by about 1.6 per cent.

One analyst close to the company said the stock was "very much back in favour" with some of the bigger investors and pointed out that three of the market's leading institutions have been recent buyers of the stock. He said buyers were attracted by the improved management, the reduction of debt and the improved prospects for international hotels.

Takeover speculation in the merchant banks revived yesterday and drove shares of Kleinwort Benson up to their highest closing level since February last year.

Dealers said market rumours of a 900p a share bid for Kleinwort were rife at the outset of trading, triggering a burst of buying interest which lifted the stock to 650p at one point.

Kleinwort, along with S.G. Warburg and to a lesser extent Schroders, has been the subject of sustained bid speculation since news of the proposed but ultimately unsuccessful merger talks between S.G. Warburg and Morgan Stanley.

With no bid news emerging and some fund managers starting to get edgy about Kleinwort's preliminary results, due this morning, the shares came off and closed only 4 higher at 630p. Turnover in the stock was 1.3m.

Analysts expect Kleinwort to post profits in the range of £88m to £100m, with most estimates bunched between £95m to £98m; the dividend is expected to be raised by 13 per cent on the year to 21p, against 18.5p, although some analysts say there is room for disappointment in profits and the payout.

S.G. Warburg shares, buffeted by the recent defections, the resignation of Lord Cairns and another profits warning, staged a good rally, gaining 19 at 729p, with recovery hopes and renewed bid speculation behind the buying interest.

Smith New Court, the securities house, was another of the big market trading houses to attract speculative attention, climbing 12 to 432p on unusually high volume of 1.3m.

The strong rally by the Hong Kong market prompted a similar move by HSBC shares, which jumped 20 to 671p on 4.4m traded, while demand from income funds and straight buy recommendations from Credit Lyonnais Laing and Warburg Securities were said to have lifted Lloyds Bank 9½ to 576p.

NatWest Securities was said to have been bearish on Royal Bank of Scotland and triggered sufficient selling to leave the shares 7½ off at 411½p.

Insurances were largely subdued, although a Kleinwort Benson sell note left Guardian Royal Exchange marginally easier at 181p.

Some of the froth in the electricity and water stocks was blown away as action funds and speculators moved in to take profits after Tuesday's spectacular rises. This followed news that the Trafalgar House bid for Northern Electric will be allowed to proceed.

The market's favoured bid target in the recs, Yorkshire Electricity, eased only a fraction to 883p in spite of the non-appearance of the expected bid from Hanson. Other so-called bid favourites to lose ground included Seeboard, 19 off at 444p, South Western, 20 lower at 849p, and Norweb, 21 down at 836p.

Northern, however, edged up 2 to 1093p, with the market awaiting the bid defence document – which many expect to include a bumper special dividend of 150p – scheduled for tomorrow. Northern Ireland Electricity, left behind by the English recs, rose 9 to 356p.

Water stocks were more resilient than the recs, with Northumbrian notably firm and finally 12 higher at 766p.

Chemicals group British Vita eased 2 to 224p after a particularly heavy trade was reported. A line of 4.1m shares, representing 1.8 per cent of the equity, passed through the Seaq electronic ticker at 216p.

Profit-taking in Granada Group left the shares a penny lighter at 525p. The company chairman gave a bullish account of the group's future prospects, which prompted several brokers to upgrade profits expectations.

Hoare Govett raised its current year forecast by £11m to £328m and the following year's figure by £20m to £375m. Mr Andrew Hunter at the broker said his move "reflects scope for organic growth irrespective of any major acquisition". BZW was also said to have upgraded its figures.

It was also light profit-taking that left Thorn EMI trailing a penny at 1050p. Kleinwort Benson issued a bullish 50-page circular on the stock. Urging investors to buy the shares, Kleinwort said: "The attractions of Thorn EMI are that its three global businesses are in markets with strong growth prospects and it can fund expansion from within its own resources."

Elsewhere in the sector, Parkdean Leisure jumped 33 to 172p following an £18m recommended bid from Vardon, 5 lighter at 132p. The bid sentiment also boosted Stanley Leisure and the shares closed 4 ahead at 369p.

Mersey Docks and Harbour gained 10 at 385p after the group reported a 61 per cent increase in profits and a better than expected improvement in the dividend.

Mr John Lawson at Charterhouse Tilney was pleased by the figures and raised his current year earnings per share forecast from 26.6p to 27.5p and said 1993's Medway Ports acquisition is likely to prove it was a very good deal.

Several brokers said they would be upgrading current year profits forecasts.

MARKET REPORTERS:
Steve Thompson,
Peter John,
Joel Kibazo.

FINANCIAL TIMES EQUITY INDICES

	Feb 16	Feb 14	Feb 13	Feb 10	Feb 8	Yr ago	*High	*Low
Ordinary Share	2334.1	2334.7	2344.4	2364.8	2368.2	2833.0	2713.6	2238.3
Ord. div. yield	4.53	4.50	4.48	4.44	4.46	3.49	4.66	3.43
Earn. yld. % full	6.79	6.66	6.63	6.57	6.60	3.82	6.84	3.82
P/E ratio net	17.48	17.82	17.89	18.04	17.96	33.32	33.43	16.91
P/E ratio nil	16.65	16.94	17.01	17.16	17.10	30.80	30.80	16.37

*For 1994/5. Ordinary Share index since compilation: high 2713.6 2/02/94; low 49.4 26/6/40
FT Ordinary Share index base date 1/7/35.

Ordinary Share hourly changes

Open	8.58	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2333.1	2333.1	2326.3	2329.1	2331.0	2328.5	2328.0	2332.7	2329.9	2334.2	2324.0

	Feb 16	Feb 14	Feb 13	Feb 10	Feb 8	Yr ago
SEAQ bargains	22,584	23,517	22,282	23,616	24,582	31,314
Equity turnover (£m)†	-	1399.6	969.9	1268.0	1661.0	1622.5
Equity bargains†	-	30,652	31,183	31,442	31,934	35,863
Shares traded (ml)†	-	624.6	495.9	598.5	713.4	667.5

†Excluding intra-market business and overseas turnover.

■ London market data

Rises and falls*		1994/95 Highs and lows		LIFFE Equity options	
Total Rises	428	Total Highs	24	Total contracts	49,520
Total Falls	710	Total Lows	115	Calls	26,079
Same	1,699			Puts	23,441

Feb. 16 *Data based on Equity shares listed on the London Share Service.

FUTURES AND OPTIONS

■ FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	3073.0	3075.0	+4.0	3085.0	3060.0	15614	60420
Jun	3081.0	3084.5	+3.5	3093.5	3073.0	1484	9869
Sep		3106.0	+4.0			0	172

■ FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	3465.0	3465.0	+0.0	3465.0	3465.0	50	4031
Jun	3485.0	3485.0	+0.5	3485.0	3485.0	50	0

■ FT-SE 100 INDEX OPTION (LIFFE) (*3068) £10 per full index point

■ EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

Calls 1,328 Puts 3,345 * Underlying index value. Premiums shown are based on settlement prices.
† Long dated expiry months.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1994/95 High	1994/95 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
$10	F.P.	17.1	13¼	13	Bath Press	13xr	-¼	-	-	-	-
-	F.P.	28.1	55	51¼	Lazard Birla India	54	+1	-	-	-	-
-	F.P.	3.32	32½	29¼	Do Warrants	32	-¼	-	-	-	-
35	F.P.	22.1	36	34	MCIT S Cap.	34		-	-	-	-
35	P.P.	23.4	36	36	MCIT S Inc	36		-	-	-	-
100	F.P.	40.5	94	80	Matheson Lloyds	81		-	-	-	-
-	F.P.	18.0	130	90	Pentex Oil	90		-	-	-	-
-	F.P.	4.50	11¼	10½	Wessex Trust	11¼		-	-	-	-
-	F.P.	262.1	128	118	Woodchester Units	125		-	-	-	-

FT GOLD MINES INDEX

	Feb 14	% chg on day	Feb 13	Feb 10	Year ago	Gross div yield %	52 week High	52 week Low
Gold Mines Index (34)	1701.33	+0.1	1699.13	1721.05	1995.10	2.25	2337.99	1667.91
■ Regional indices								
Africa (16)	2679.09	+0.1	2677.63	2707.83	2406.88	5.13	3711.87	2304.45
Australasia (7)	1855.18	-2.0	1893.78	1912.06	2543.78	0.89	2961.49	1799.29
North America (11)	1391.16	+0.6	1382.43	1403.43	1761.36	0.81	1911.21	1346.18

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Figures in brackets show number of companies. Basis US Dollars. Base Values: 1000.00 31/12/92.
Predecessor Gold Mines Index: Feb 15: 208.6 ; day's change: +0.3 Year ago: 206.4 † Partial.
Latest prices were unavailable for this edition.

FT - SE Actuaries Share Indices — The UK Series

	Feb 15	Day's chge%	Feb 14	Feb 13	Feb 10	Year ago	Div. yield%	Earn. yield%	P/E ratio	Xd adj. ytd	Total Return
FT-SE 100	3074.9	+0.1	3071.3	3081.1	3109.9	3417.7	4.26	7.23	16.33	7.61	1176.87
FT-SE Mid 250	3453.2	-0.3	3462.0	3445.3	3454.1	4050.8	3.68	6.38	18.68	9.31	1304.57
FT-SE Mid 250 ex Inv Trusts	3463.5	-0.3	3473.3	3454.1	3461.6	4066.8	3.82	6.90	17.41	9.44	1306.64
FT-SE-A 350	1535.9	—	1535.4	1537.5	1549.5	1728.6	4.13	7.04	16.81	5.88	1209.02
FT-SE-A 350 Higher Yield	1566.1	—	1565.4	1562.9	1577.1	1734.5	5.13	7.51	15.93	5.79	1009.23
FT-SE-A 350 Lower Yield	1505.5	—	1505.2	1511.7	1521.6	1678.9	3.11	6.57	17.82	2.01	993.70
FT-SE SmallCap	1719.71	+0.1	1718.56	1720.25	1720.73	2076.05	3.38	6.48	18.32	3.83	1347.17
FT-SE SmallCap ex Inv Trusts	1696.69	+0.1	1695.80	1697.32	1696.71	2053.11	3.56	7.28	17.42	4.01	1333.80
FT-SE-A ALL-SHARE	1518.36	—	1518.21	1519.85	1530.85	1717.78	4.07	7.00	16.98	3.80	1209.41

■ FT-SE Actuaries All-Share

	Feb 15	Day's chge%	Feb 14	Feb 13	Feb 10	Year ago	Div. yield%	Earn yield%	P/E ratio	Xd adj. ytd	Total Return
10 MINERAL EXTRACTION(24)	2675.61	-0.4	2685.80	2699.43	2706.44	2623.49	3.61	5.06	24.98	0.00	1080.16
12 Extractive Industries(7)	3446.72	-1.2	3487.14	3488.72	3543.17	3958.83	3.52	5.65	21.89	0.00	951.10
15 Oil, Integrated(3)	2691.72	-0.1	2695.42	2711.37	2713.09	2551.01	3.74	5.57	22.34	0.00	1111.57
16 Oil Exploration & Prod(14)	1916.99	-1.2	1943.95	1955.82	1966.28	1881.26	2.54	‡	‡	0.00	1110.67
20 GEN INDUSTRIALS(276)	1618.77	-0.1	1620.95	1627.46	1641.01	2204.13	4.30	5.99	19.89	1.77	936.43
21 Building & Construction(36)	942.33	-0.9	950.79	959.10	957.37	1564.29	4.13	6.71	19.38	6.31	744.68
22 Building Matls & Merchs(31)	1735.37	-0.7	1746.84	1762.07	1773.92	2339.68	4.40	6.37	18.95	0.20	826.03
23 Chemicals(23)	2194.04	+0.1	2190.93	2202.98	2217.16	2461.76	4.32	5.38	22.60	0.59	980.56

TRADING VOLUME

■ Major Stocks Yesterday

WORLD STOCK MARKETS

EUROPE

PACIFIC

AFRICA

NORTH AMERICA

INDICES

	Feb 14	Feb 13	Feb 10
India BSE Sens.(1979)	3485.14	3515.59	3506.04
Indonesia Jakarta Comp.(10/8/82)	456.45	454.10	455.70
Ireland ISEQ Overall(4/1/88)	1880.21	1889.31	1893.54
Italy Banca Comm Ital (1972)	574.71	568.74	570.94
MIB General (2/1/95)	1064.0	1057.0	1061.0
Japan Nikkei 225 (16/5/49)	17991.00	18138.47	18313.86
Nikkei 300 (1/10/82)	256.17	258.32	261.41

INDEX FUTURES

	Open	Sett Price	Change	High	Low	Est. vol.	Open Int.
CAC-40							
Feb	1858.0	1873.0	+7.0	1874.0	1851.0	22,830	27,186
Mar	1866.5	1880.5	+7.0	1882.0	1859.5	1,197	22,938
DAX							
Mar	2131.0	2141.5	+3.5	2148.5	2128.0	14,144	N/A
Jun	2151.5	2162.0	+5.5	2168.5	2151.0	266	N/A
OMX							
Feb	1199.75	1195.00	-0.50	1202.00	1193.00	3,883	20,846
Mar	1206.50	1203.05	-2.75	1206.50	1199.75	740	5,542
SOFFEX							
Feb	2636.8	2640.1	+2.10	2644.0	2634.0	5,390	12,986
Mar	2645.0	2647.0	+4.00	2652.0	2641.0	2,282	6,003

US INDICES

	Feb 14	Feb 13	Feb 10
Financial	45.53	45.17	45.18
NYSE Comp.	262.13	261.85	261.80
Amex Mkt Val	447.49	447.80	447.85
NASDAQ Cmp	790.62	789.40	790.45

RATIOS

	Feb 10	Feb 3	Jan 27	Year ago
Dow Jones Ind. Div. Yield	2.72	2.73	2.79	2.59
	Feb 8	Feb 1	Jan 25	Year ago
S & P Ind. Div. yield	2.38	2.42	2.43	2.45
S & P Ind. P/E ratio	19.38	18.96	18.90	27.44

NEW YORK ACTIVE STOCKS

Tuesday	Stocks traded	Close price	Change on day
Hanson	8,636,600	18	+¼
Am Express	8,397,800	33⅝	+1⅛
Limited	5,253,500	18⅞	+1
Telefonos	5,131,400	31⅝	-⅛
Utd Health	4,794,600	45⅝	-2⅛
Pepsico	4,746,000	38⅝	+1⅝
EMC	3,862,000	17⅝	+⅜
Micron	3,216,100	55⅝	+2⅛
Ford Motor	2,921,300	26	+⅛
Compaq	2,884,000	38	+⅞

TRADING ACTIVITY

● Volume (million)

	Feb 14	Feb 13	Feb 10
New York SE	300.734	255.126	295.553
Amex	17.800	13.659	13.935
NASDAQ	334.308	273.753	336.359
NYSE			
Issues Traded	2,993	2,954	2,921
Rises	1,095	1,138	1,216
Falls	1,101	1,076	912
Unchanged	797	742	793
New Highs	61	72	46
New Lows	31	23	24

	Open	Latest	Change	High	Low	Est. vol.	Open Int.
S&P 500							
Mar	483.80	484.40	+0.70	485.20	482.80	66,522	197,376
Jun	488.40	488.55	+0.85	489.05	486.40	732	17,815
Nikkei 225							
Mar	18110.0	18020.0	-200.0	18150.0	17950.0	33,229	126,490
Jun	18160.0	18070.0	-210.0	18190.0	18010.0	7,532	23,597

Open interest figures for previous day.

† Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♦ The DJ Ind. Index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ▼ Subject to official recalculation.

NOTES – Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. Highs/Lows are for 1995, except Toronto & Montreal (daily). § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

FT FREE ANNUAL REPORTS SERVICE

TOKYO - MOST ACTIVE STOCKS: Wednesday, February 15, 1995

	Stocks Traded	Closing Prices	Change on day
Sumitomo Const	17.2m	780	+28
Fudo Const	8.2m	1160	-10
Penta Ocean	6.8m	814	
77 Bank	4.6m	953	-40
Mitsubishi Heavy	3.9m	605	-18
Nippon Steel	3.9m	339	-7
Aoki Corp	3.6m	601	+8
Hitachi	3.2m	832	-13
Toshiba Corp	2.7m	810	+5
Matsushita E	2.5m	1,350	-20

4 pm close February 15

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1995 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
14⅛	13	AAR	0.48	3.5	34	95	13⅞	13½	13¾	
31⅞	18¾	ALPharmaA	0.18	0.5	58	1288	u22	21½	22	+⅛
75¾	70⅜	AMP	1.84	2.5	25	1869	74½	73⅝	73⅞	+⅛
61⅝	53¾	AMR			26	8443	60⅞	58⅞	59¼	-⅜
46⅛	41⅞	ASA	1.71	6.6	20	152	44⅜	44¼	44⅜	+⅛
38	30¾	AbbtL	0.84	2.4	18	12281	34⅞	34½	34⅝	
14	13	Abitibi Pr	0.50	3.7	12	2357	13⅝	13⅛	13⅜	+⅛
24⅜	22⅞	ABM Ind	0.50	2.7	13	107	22⅞	d22¼	22⅜	-⅛
16⅝	14½	Acptnceln			12	89	16⅜	16	16⅜	+¼
25⅞	21⅞	ACE Ltd	0.44	1.7	0	310	25⅜	24⅞	25⅛	+½
9¾	8⅛	ACM Gvt In	1.09	11.5	0	721	9⅝	9⅜	9½	-⅛
7½	7¼	ACM GvOpp	0.80	11.0		86	7¼	d7⅛	7¼	
7½	7	ACM Gvt Sp	0.80	14.0		2417	7¼	d6¾	6⅞	-⅛
8⅝	8	ACM Gvt Se	1.09	12.9		445	u8⅝	8⅜	8½	
8½	7⅞	ACM Man	1.08	13.9		404	7⅞	d7⅝	7¾	-⅛
7⅞	7¾	ACM Managd	0.72	8.8		18	7½	7⅜	7⅜	
16¾	16¼	AcmeClv	0.48	3.0	9	63	15⅝	15¼	15¾	-⅛
21½	12⅝	Acme Elect			22	249	19½	18	19¼	+⅛
34½	u1⅛	Acordia	0.72	2.1	17	07	34⅛	33¾	33⅞	-⅜
11⅛	8⅝	Actava	0.36	3.3	3	676	11	10⅝	11	+⅛
18¾	13	Acuson			21	527	13⅜	u12⅞	13⅛	-⅛
16⅝	15⅝	Adams Expr x	0.20	2.2	0	92	16½	16⅜	16½	+⅛
64½	53	Ad Micro	3.00	4.9		308	61⅞	61	61	
22¾	25	AdvMic	3.58	0.8	0	6946	31⅛	30⅝	30¾	-⅛
6⅞	5	Advest Grp	0.16	2.8	31	72	u6⅞	6¼	5¾	-⅛
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NYSE COMPOSITE PRICES

4 pm close February 15

Continued from previous page

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AMEX COMPOSITE PRICES

4 pm close February 15

[illegible]

NASDAQ NATIONAL MARKET

4 pm close February 15

[illegible]

AMERICA

US stocks at record levels by midsession

Wall Street

US share prices pushed into record territory in intraday trading yesterday morning as the bond market soared after the release of economic data indicating that the economy might be slowing, *writes Lisa Bransten in New York*.

At 1pm the Dow Jones Industrial Average was up 32.29 at 3,990.54, surpassing its record closing high of 3,978.36 set on January 31 of last year.

Tha more broadly based Standard & Poor's 500 gained 2.28 at 484.83, also passing the record high of 482.55 set on Tuesday. The American Stock Exchange composite index increased by 0.64 to 448.13. The Nasdaq composite rose 3.66 to 794.28. Trading volume on the New York Stock Exchange came to 210m shares.

Just before the market opened the Federal Reserve Board reported that industrial production had risen by only 0.4 per cent in January versus gains of 0.8 per cent and 0.9 per cent in November and December.

Growth in capacity utilisation figures, also released by the Federal Reserve Board, also slowed in January rising to 85.5 per cent from 85.4 per cent in December; although the January capacity utilisation number did set a new record, it was lower than the median forecast of 85.6 per cent, and the increase was much smaller than gains posted in November and December.

Capacity utilisation and industrial production figures are considered important because members of the Fed's board of governors have consistently pointed to rising figures in that data to justify tightening monetary policy. Signs of slowing in the data may cause the Fed to hold off on another interest rate increase.

Less attention was paid to figures from the labor department that showed the consumer price index had risen 0.3 per cent in January overall, and 0.4 per cent in the core index, which excludes the volatile food and energy components.

Although the figure was only slightly higher than the median estimate of 0.3 per cent for both the overall CPI and the core index, it was the largest rise for the core figure since October of 1992.

Some economists said the figures might be indicative of price pressures but were not willing to say that inflation was spilling over to the consumer level, based on one month's figures.

Thoughts that the Fed might not raise interest rates gave a boost to economically sensitive cyclical shares.

The Morgan Stanley index of cyclical shares was up nearly 1.0 per cent, while the counterpart index of consumer shares gained only a little more than 0.1 per cent.

Dow Chemical was up $1¼ at $67⅝, CSX gained $1⅝ at $76⅝, International Paper increased $1 at $77⅞ and Georgia Pacific rose $1⅝ at $77⅞.

ADRs of Luxottica, the Italian maker of spectacle frames, gained more than 4 per cent rising $1½ at $38⅝ after both Goldman Sachs and Merrill Lynch put the stock on their respective recommended lists.

Canada

Toronto was pulled along in midday trade by the gains on Wall Street after the latest US economic data and firmer debt markets.

The TSE-300 Composite index was 23.7 higher at 4,134.20 by noon in volume of 28.6m shares worth C$345m. Advancing issues pulled ahead of declines by 265 to 246, with 317 issues unchanged.

All but two of Toronto's 14 sub-indices posted gains. Base metals eased 4.02 to 3,973.99 and transportation was also lower, dropping 26.81 to 4,813.79.

Strong groups were led by the banking, consumer products, precious metals, forestry and pipelines sectors.

Nova was actively traded, up C$¼ to C$12 in volume of 1.3m shares, as was Gandalf Technologies, unchanged at C$3.20 with 1.2m shares traded.

However, Hayes-Dana gave up C$¼ to C$17¼ after Tuesday's sharp gains following news of a takeover offer from Dana Corp.

SOUTH AFRICA

Shares reversed early declines as a firmer bullion price provided support in thin trade. Gold's push towards $377 an ounce and a slight easing in the financial rand were both factors helping later sentiment.

The overall index ended 7 firmer at 5,191, the industrial index was 2.8 better at 6,344.6 and the golds index gained 16.5 at 1,619.5.

Iscor recovered some of Tuesday's loss which followed its plans for a rights issue, rising 6 cents to R4.26.

Elsewhere, Gencor put on 5 cents at R13.05 and SAB collected 25 cents at R89.50. Vaal Reefs gained R2 at R291 and Kloof 25 cents at R46.25.

Buenos Aires declines by 5%

BUENOS AIRES shed 5 per cent in nervous midday trade, with the Merval index, which had already lost 15 per cent in the previous eight sessions, down 18.80 at 367.85.

Investors found little encouragement from a Treasury bill auction on Tuesday.

MEXICAN equities fell in early trade, hit by the results of the latest primary auction of government securities.

The IPC index was off 45.88 at 1,875.20.

The benchmark primary interest rate on 28-day T-bills, or Cetes, rose by 480 basis points to 40 per cent.

Cemex B shares fell 5.73 per cent, while steel company Hylsamex shed 5.6 per cent.

SAO PAULO was affected by futures index settlement. The Bovespa index was off 881 or 2.8 per cent at 31,041 in turnover of R$152.9m.

Analysts said futures contracts were mostly rolled over to the following settlement in April. They said the number of open contracts for the next settlement rose to 37,090 from 30,738.

EMERGING MARKETS: IFC WEEKLY INVESTABLE PRICE INDICES

Market	No. of stocks	Dollar terms: Feb. 10 1995	% Change over week	% Change on Dec '94	Local currency terms: Feb. 10 1995	% Change over week	% Change on Dec '94
Latin America	(258)	466.17	-7.7	-19.7			
Argentina	(30)	663.60	-6.8	-9.6	407,201.56	-6.9	-9.6
Brazil	(72)	302.86	-13.6	-21.2	946,831,283.0	-14.0	-22.3
Chile	(36)	737.50	-3.5	-6.0	1,215.69	-3.2	-3.8
Colombia[1]	(16)	885.31	-2.2	+9.1	1,324.98	-2.5	+10.6
Mexico	(72)	448.93	-2.9	-26.2	1,085.47	+0.4	-15.9
Peru[2]	(20)	137.15	-7.8	-23.1	184.63	-7.2	-22.4
Venezuela[3]	(12)	426.63	-2.5	-13.8	1,866.02	-2.5	-13.8
Asia	(659)	242.56	+5.2	-2.8			
China[4]	(20)	70.13	+8.5	-7.6	74.76	+8.5	-7.7
South Korea[5]	(159)	124.99	+0.6	-8.6	130.56	+0.7	-7.9
Philippines	(25)	279.09	+5.8	-6.4	334.37	+5.8	-4.8
Taiwan, China[6]	(93)	150.17	+3.6	-6.7	148.34	+3.6	-6.6
India[7]	(103)	107.38	-3.3	-13.0	119.68	-3.3	-13.0
Indonesia[8]	(42)	97.60	+2.3	-2.2	117.77	+2.4	-1.1
Malaysia	(114)	272.50	+8.4	+1.4	256.28	+8.2	+1.2
Pakistan[9]	(36)	340.52	+6.7	-7.0	477.37	+6.8	-6.7
Sri Lanka[10]	(19)	143.36	-9.5	-16.6	155.50	-9.4	-16.2
Thailand	(66)	377.12	+2.3	-1.7	375.25	+2.3	-1.8
Euro/Mid East	(147)	111.10	+2.7	-6.2			
Greece	(40)	210.71	-0.8	-6.6	340.62	-0.5	-7.4
Hungary[11]	(5)	113.95	-1.1	-24.9	156.16	-1.0	-24.4
Jordan	(6)	150.09	-1.0	+0.0	221.90	-0.7	-0.2
Poland[12]	(16)	396.51	+10.7	-15.5	610.06	+10.8	-15.3
Portugal	(29)	116.07	+0.6	-4.1	125.41	+0.2	-5.3
Turkey[13]	(44)	115.21	+5.6	-5.4	2,228.49	+6.8	+0.6
Zimbabwe[14]	(5)	256.92	+0.1	+5.0	317.66	+0.0	+5.4
Composite	(1064)	275.21	-0.4	-10.5			

Indices are calculated at end-week, and weekly changes are percentage movement from the previous Friday. Base date: Dec 1988=100 except those noted which are: (1)Feb 1 1991; (2)Dec 31 1992; (3)Jan 8 1990; (4)Dec 31 1992; (5)Jan 3 1992; (6)Jan 4 1991; (7)Nov 6 1992; (8)Sep 28 1990; (9)Mar 1 1991; (10) Dec 31 1992; (11)Dec 31 1992; (12)Dec 31 1992; (13)Aug 4 1989; (14)June 2 1993.

The Asian region has survived the worst of the post-Mexico fallout in emerging markets, down just 2.8 per cent in dollar terms over the year to date. According to Mr Alan Butler-Henderson, Asian strategist at Baring Securities, the equity markets in Hong Kong and Malaysia could rise by some 20 per cent in 1995. Elsewhere, Singapore is likely to maintain a defensive position, he said.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Ltd., Goldman, Sachs & Co. and NatWest Securities Ltd. in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS (Figures in parentheses show number of lines of stock)	TUESDAY FEBRUARY 14 1995: US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	MONDAY FEBRUARY 13 1995: US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX: 52 week High	52 week Low	Year ago (approx)
Australia (68)	158.71	-0.6	151.16	99.00	124.90	141.86	-0.5	4.07	159.62	161.34	99.46	126.01	142.53	181.43	157.66	180.19
Austria (16)	172.06	0.8	163.87	107.32	135.40	135.69	0.7	1.20	170.63	161.77	108.31	134.69	134.77	196.89	167.46	184.81
Belgium (35)	170.57	0.7	162.45	106.39	134.23	130.94	0.2	4.21	169.37	160.58	105.53	133.70	130.65	177.04	161.53	165.09
Brazil (28)	125.43	-3.0	119.46	78.24	98.71	192.79	-2.7	1.35	129.26	122.56	80.54	102.04	196.20	–	–	–
Canada (103)	126.36	0.2	120.35	78.82	99.44	128.23	0.1	2.72	126.06	119.52	78.55	99.51	128.05	141.01	120.54	133.85
Denmark (33)	259.68	0.4	247.32	161.96	204.35	210.45	0.0	1.50	258.73	245.30	161.21	204.24	210.48	275.27	238.61	265.82
Finland (24)	189.88	1.0	180.85	118.44	149.43	185.43	0.8	0.79	187.97	178.22	117.12	148.38	184.05	201.41	133.88	147.57
France (101)	164.94	0.4	157.09	102.89	129.80	135.77	0.1	3.17	164.30	155.77	102.37	129.69	135.59	181.44	157.79	175.87
Germany (58)	147.36	1.1	140.34	91.92	115.96	115.96	0.8	1.80	145.81	138.25	90.85	115.19	115.19	150.40	128.94	131.67
Hong Kong (58)	318.35	-1.2	303.21	198.58	250.53	315.97	-1.2	3.96	322.16	305.43	200.72	254.31	319.73	447.19	277.40	446.22
Ireland (16)	210.84	-0.8	200.81	131.52	165.93	191.59	-0.6	3.33	212.56	201.53	132.44	197.60	192.67	216.60	177.56	190.51
Italy (58)	81.16	0.9	77.30	50.63	63.87	97.43	0.8	1.60	80.45	76.28	50.13	63.51	96.65	97.76	67.25	76.30
Japan (484)	143.07	-1.3	136.27	89.24	112.59	89.24	-1.2	0.85	144.92	137.40	90.30	114.40	90.30	170.10	139.45	152.47
Malaysia (97)	481.99	-0.9	459.06	300.65	379.31	473.65	-0.8	1.78	486.31	461.08	303.01	383.90	477.32	594.76	398.19	601.19
Mexico (18)	1013.41	-3.2	965.19	632.13	797.51	6985.54	0.0	1.71	1046.89	992.57	652.29	826.41	6984.06	2593.99	964.79	2593.99
Netherland (19)	222.79	0.3	212.19	138.97	175.33	172.42	-0.1	3.35	222.21	210.66	138.46	175.42	172.67	223.30	191.28	202.66
New Zealand (14)	72.35	-0.4	68.91	45.13	56.94	60.76	-0.1	4.82	72.63	68.87	45.26	57.34	60.84	77.20	62.05	72.84
Norway (23)	214.11	-0.1	203.92	133.56	168.50	193.00	-0.3	1.86	214.40	203.26	133.59	169.25	193.60	218.03	177.53	194.95
Singapore (44)	346.21	-0.4	329.74	315.96	272.46	232.01	-0.2	1.85	347.47	329.44	216.50	274.30	232.60	401.36	294.66	350.98
South Africa (59)	303.03	-0.4	258.81	189.02	238.47	260.63	-0.5	2.58	304.21	288.43	189.55	240.14	261.98	342.00	205.55	238.70
Spain (38)	135.84	1.6	129.37	84.73	106.90	133.83	0.8	4.24	133.74	126.80	83.33	105.57	132.78	150.62	124.87	148.64
Sweden (46)	247.32	1.1	235.55	154.27	194.63	270.27	0.7	1.53	244.69	232.00	152.46	193.16	268.45	247.32	198.70	213.22
Switzerland (47)	169.22	0.6	161.17	105.56	133.17	134.16	0.3	1.82	168.30	159.57	104.86	132.86	133.74	169.42	149.91	162.02
Thailand (46)	149.21	0.0	142.11	93.07	117.42	145.00	0.9	2.91	149.20	141.46	92.96	117.78	145.00	–	–	–
United Kingdom (204)	193.99	-0.7	184.76	121.01	152.66	184.76	-0.3	4.20	195.41	185.27	121.76	154.26	185.27	206.93	181.11	202.49
USA (513)	197.65	0.1	188.16	123.23	155.46	197.55	0.1	2.84	197.26	187.03	122.91	155.72	197.28	197.55	178.96	191.17
Americas (862)	181.20	0.1	172.58	113.03	142.59	151.94	0.1	2.81	181.06	171.66	112.81	142.92	151.76	–	–	–
Europe (720)	171.76	0.2	163.59	107.14	135.17	151.59	0.1	3.06	171.44	162.54	106.82	135.33	151.37	178.01	160.59	169.92
Nordic (126)	235.72	0.8	224.50	147.03	185.50	218.43	0.5	1.44	233.80	221.66	145.67	184.56	217.41	235.72	197.70	208.04
Pacific Basin (808)	151.06	-1.2	143.84	94.21	118.85	98.46	-1.1	1.24	152.86	144.93	95.24	120.67	99.55	176.86	145.93	163.79
Euro-Pacific (1528)	159.57	-0.6	151.98	99.54	125.58	118.90	-0.5	2.06	160.51	152.16	100.01	126.70	118.55	175.14	154.73	166.19
North America (616)	193.14	0.1	183.95	120.48	152.00	192.85	0.1	2.84	192.86	182.85	120.19	152.24	192.57	193.14	175.67	187.82
Europe Ex. UK (516)	155.69	0.7	148.28	97.11	122.52	131.68	0.4	2.45	154.59	146.57	96.32	122.04	131.16	156.12	144.12	149.16
Pacific Ex. Japan (325)	229.29	-0.6	218.38	143.03	180.45	202.99	-0.7	3.30	231.11	219.12	144.00	182.44	204.43	273.84	211.19	273.04
World Ex. US (1737)	159.95	-0.8	152.34	99.77	125.87	121.66	-0.5	2.08	160.90	152.55	100.25	127.01	122.53	176.65	155.42	167.72
World Ex. UK (2046)	169.00	-0.3	160.96	105.42	133.00	140.48	-0.3	2.17	169.47	160.68	105.59	133.78	140.67	176.59	163.46	171.81
World Ex. Japan (1766)	187.80	0.1	178.86	117.15	147.79	178.25	0.1	2.94	187.71	177.97	116.96	148.17	178.15	192.00	176.34	188.08
The World Index (2250)	171.21	-0.3	163.06	106.79	134.73	144.43	-0.3	2.38	171.78	162.84	107.02	135.59	144.84	180.80	166.92	174.50

Latest prices were unavailable for this edition. Market closed 14/2/95: Thailand.

EUROPE

SMH continues to attract attention

Individual corporate stories predominated, after the release of US economic data failed to provide momentum in late trading.

ZURICH was lower, with the weaker dollar taking a toll. The SMI index fell 6.4 to 2,636.0.

SMH gained a further SFr29 at SFr685 as the company collected another buy recommendation, this time from UBS. The shares have risen by 15.7 per cent from their 12-month low set in December. The company announced lower 1994 profits, but still at the upper end of expectations, after the market closed, and news of a lower dividend came as no surprise.

Swissair fell SFr19 to SFr750 in spite of an "open sky" accord between the US and Switzerland which should help the airline to cut losses on its North Atlantic routes. However, one analyst commented that the fall in the share price indicated the continuing degree of mistrust by investors for the airline industry.

Among cyclicals, a SFr90 advance to SFr1,610 in Bobst was attributed to a favourable net profit outlook for 1994.

Schindler picked up SFr270 or 3.4 per cent to SFr8,100. James Capel, which recommended the stock, said that while clients should be buying Schindler based on reported earnings only, "best guess" earnings would indicate that the company could outperform the market by between 42 and 52 per cent over the next two to three years.

PARIS made a slight gain, helped by late buying of major stocks. The CAC-40 index improved 5.81 to 1,861.90 in turnover of FFr4.1bn.

Alcatel Alsthom dipped FFr8.50 to FFr435.60, while its subsidiary Alcatal Cabla gained FFr6 or 1.6 per cent at FFr380 after recovering from a low of FFr363.50 as it denied a report that it had overbilled Electricité de France.

Pechiney International continued to come under pressure following disappointing results earlier in the week, the shares closing another FFr2.80 off at FFr134.

Club Med, up FFr2 to FFr431, announced after the close that it would not pay a dividend for the 1993/94 financial year, the second year in succession.

FRANKFURT bided its time during the official session as investors awaited the release of US economic data. The DAX index added 1.80 at 2,135.04.

However, no fresh incentive was found in the post bourse, with the Ibis indicator ending at 2,135.49. Turnover amounted to DM7.7bn.

RWE, up DM11.60 at DM459.60, rose following better than expected results and the announcement of a telecommunications joint venture. Other utilities were mixed: Viag fell DM3.20 to 521.50 and Veba rose DM1.40 to DM534.90.

Philipp Holzmann gained DM12 at DM799 after announcing a 25 per cent increase in 1994 operating profits.

Preussag fell DM2.10 to DM469.40, recovering from a low of DM467 as it announced a rise in sales, which were in line with expectations.

MILAN reversed early gains, weighed down by the lira as it fell to a near record low against the D-Mark.

The Comit index registered a 4.23 gain at 672.97 but the real-time Mibtel index turned back from a high of 10,823 to end 20 off at 10,702.

Banks remained under pressure. BCI fell L96 to L3,883, while Credito Italiano declined L41 to L1,872. Credito Romagnolo lost another L765 at L11,875 after Italiano said that it would accept shares, held by its rival bidders, into its successful buy offer.

Olivetti receded L42 to L1,864 and Cir, Mr Carlo de Benedetti's industrial holding company, dipped L18 to L1,691 on a re-emergence of worries over 1994 results.

BRUSSELS saw a heavy fall in Union Miniere on a sharp downturn in the price of zinc. The shares shed BFr55 to BFr2,035, but were up from a session's low of BFr1,960.

The Bel-20 index firmed 0.15 to 1,358.55 in turnover of BFr1.8bn.

AMSTERDAM drifted lower, with the AEX index easing 0.70 to 413.27. Océ-van der Grinten, which announced the launch of new products, added Fl 1.80 at Fl 86.00.

OSLO took in a further fall in Kvaerner, the engineer and shipbuilder, which on Tuesday posted weaker than expected 1994 results. The All-share index dropped 4.96 to 646.75 in turnover of NKr480.2m.

Kvaerner A shares, which lost NKr21 on Tuesday, shed another NKr11 to 290, and the B shares fell NKr13 to NKr279. Hafslund Nycomed, due to publish its 1994 results today, lost NKr2 at NKr139.50.

Written and edited by John Pitt and Michael Morgan

FT-SE Actuaries Share Indices

Feb 15 — THE EUROPEAN SERIES — Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1342.55	1342.25	1343.06	1344.22	1343.67	1343.88	1344.66	1349.63
FT-SE Eurotrack 200	1392.36	1392.24	1393.17	1393.76	1394.32	1395.50	1395.97	1394.10

	Feb 14	Feb 13	Feb 10	Feb 9	Feb 8
FT-SE Eurotrack 100	1345.14	1342.94	1348.30	1347.04	1334.40
FT-SE Eurotrack 200	1394.51	1398.45	1408.41	1403.33	1389.29

Base 1000 (26/10/90); Highday: 100 - 1346.40; 200 - 1396.80 Lowday: 100 - 1341.78 200 - 1391.11 † Partial

ASIA PACIFIC

US, European demand lifts Hong Kong 3%

Equities in Hong Kong rebounded 3.1 per cent on a bout of afternoon buying by US and European institutional investors and local retail demand.

The Hang Seng index finished 240.47 ahead at 8,103.14, its highest level since January 2. Turnover rose to HK$3.12bn from Tuesday's HK$2.7bn.

Analysts noted a Morgan Stanley buy program, adding that US investors were increasingly expecting a positive outcome to the Sino-US trade talks, European funds had been picking up a basket of blue chips throughout the day, and that local retail investors were responding to unexpectedly strong demand for Hang Lung Development's latest sale of flats.

Hang Lung advanced 65 cents to HK$11.50. Among other property blue chips, Cheung Kong added HK$1.30 at HK$31.80 and Henderson Land HK$1.60 at HK$38.00.

The H-share index monitoring mainland China stocks listed in Hong Kong gained 15.57 or 1.5 per cent at 1,060.12.

Tokyo

Small lot profit-taking depressed shares, and the Nikkei 225 average fell below the 18,000 mark for the first time since January 23, *writes Emiko Terazono in Tokyo*.

The Nikkei closed 147.47 down at 17,991.00 after a low of 17,905.95 and high of 18,093.45. Overseas investors and arbitrageurs liquidating positions were among the sellers.

Volume came to 250m shares, against 256m. The Topix index of all first section stocks dipped 12.72 to 1,396.65 and the Nikkei 300 fell 2.15 to 256.17. Losers led gainers by 775 to 202, with 179 issues unchanged. In London the ISE/Nikkei 50 index eased 0.21 to 1,142.54.

Traders believe that the next technical resistance point for the Nikkei 225 below 18,000 will be 17,785 reached on January 23. The Topix index fell below 1,400 for the first time since that date.

Investors grew increasingly concerned over the growing political scandal involving the two defunct credit unions formerly led by a property speculator. An afternoon report that CS First Boston, the US investment house, would retreat from the Japanese stock brokerage business also had a negative impact on investor confidence.

Traders are currently worried about the large arbitrage positions totalling Y1.8bn held by investors and dealers. Mr Yasuo Ueki at Nikko Securities said: "People are concerned that a fall in the futures market could prompt the unwinding of these positions."

High-technology stocks continued to lose ground. Sony shed Y130 to Y4,570. Heavy electricals were also lower, Hitachi losing Y13 at Y832. Large-capital steels and shipbuilders declined on selling by overseas investors.

Individuals liquidated holdings in privatised issues. Nippon Telegraph and Telephone retreated Y12,000 to Y708,000 and East Japan Railway dropped Y16,000 to Y433,000.

In Osaka, the OSE average shed 194.80 to 19,685.89 in volume of 118.2m shares. Nintendo, the video game maker, improved Y70 to Y5,160 on bargain hunting.

Roundup

Renewed confidence was evident in some regional markets.

SINGAPORE was helped higher by demand for selected blue chips, and a revival of interest in Neptune Orient Lines after a prolonged downtrend.

The Straits Times Industrial index closed 18.62 up at the day's best of 2,107.69 in volume of 217.9m shares.

Analysts were hard pressed to explain Neptune Orient's rise, although they suggested that the revived interest might be the result of local press comment. The stock appreciated 11 cents to S$1.92 on volume of 3.1m shares.

KUALA LUMPUR picked up from early lows as buyers swarmed back into the market amid renewed expectations of a general election announcement soon. Polls are not due until the end of the year, but speculation is focusing on an election in late March or April.

The key composite index ended 6.29 higher at 979.28, up from an early 961.57, with Hong Kong's rebound adding to the upbeat mood.

TAIPEI found support in reports of price increases for textile, steel and paper products. Tha weighted index added 71.66 or 1.1 per cent at 6,576.25 in T$56.1bn turnover.

Electronic stocks led the gains, with Taiwan Semiconductor ahead T$3.50 at T$152, while Tung Ho Steel jumped the daily 7 per cent limit to T$61.50.

SYDNEY was boosted by a late rally following better than expected interim results from WMC. The All Ordinaries index put on 8.1 at 1,842.9 in turnover of about A$503.4m.

In the mining sector, WMC rose 29 cents to A$6.87.

WELLINGTON, unimpressed by Telecom's third-quarter results, which were in line with expectations, marked the shares down 2 cents to NZ$5.40.

The NZSE-40 Capital index gained 0.51 at 1,967.97 in turnover of NZ$44.9m.

SEOUL closed sharply lower for a second straight day as tight liquidity and uncertain market direction kept the mood depressed. The composite index was 15.40 or 1.6 per cent lower at 926.09, taking the two-day fall to 3.2 per cent.

MANILA saw San Miguel suffer from profit-taking following the beer conglomerate's 1994 results. The composite index declined 39.88 or 1.4 per cent to 2,620.68 in turnover of 1.75bn pesos. San Miguel "B" fell 1.5 per cent to 126 pesos.